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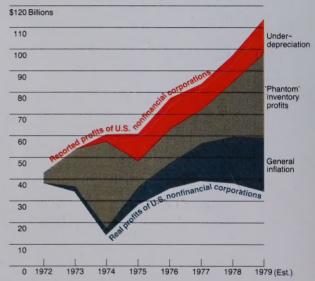
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The cover:

Inflation feeds itself by weakening U.S. industry's ability to invest in the productivity improvements that help keep inflation in check. The cover shows how inflation distorts financial results and produces a widening gap between the reported after-tax profits and real after-tax profits of U.S. nonfinancial corporations. Three factors account for this gap: underdepreciation, reflecting the difference between what facilities cost originally and what they would cost if replaced at current prices; "phantom" profits on inventories valued via FIFO (first-in, first-out) accounting; and the decrease in the purchasing power of the dollar caused by general inflation. Compounding of these problems by the present U.S. tax system results in decreasing the resources available for industry to invest in improving productivity and in supporting technological innovations such as those that underlie the GE operations illustrated on the cover. The impact of inflation is discussed further by the Chairman on page 5, and in the supplementary information on pages 28-30.



Based on U.S. Department of Commerce data.

Note: Unless otherwise indicated by the context, the terms "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 36. Unless otherwise indicated by the context, the terms "Utah" and "Utah International" mean Utah International" mean Utah International as well as all of its "affiliates" and "associated companies" as those terms are used on page 36.

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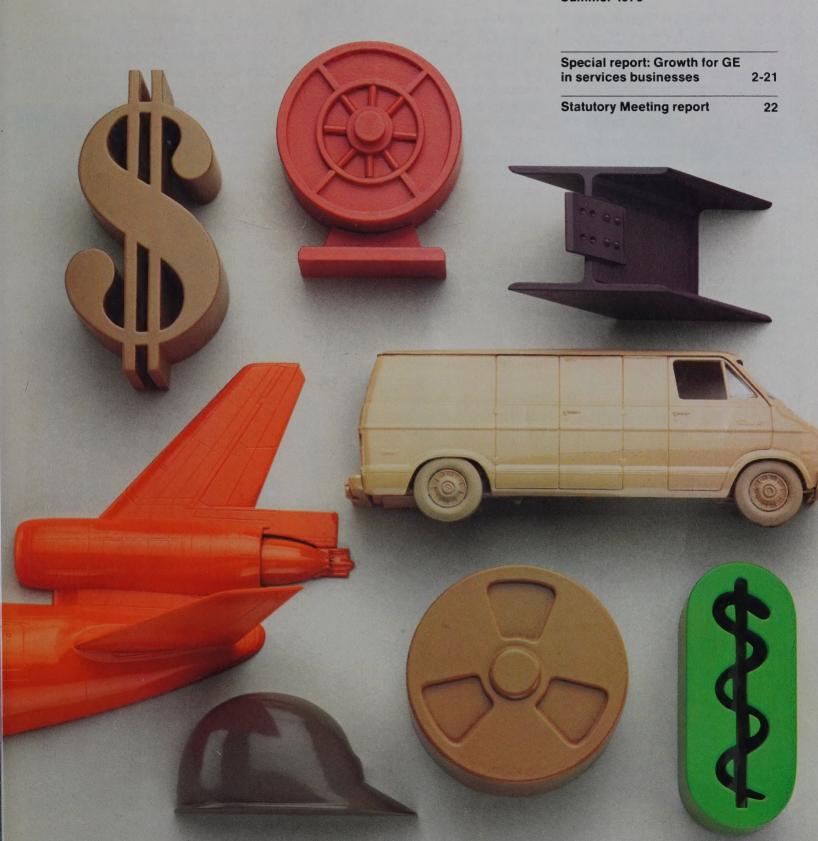
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Summer 1979



Services businesses – figuring big in General Electric's future

In its drive to sustain growth rates well above those for the U.S. economy, General Electric is counting

on growth from a number of businesses that make no products and operate

no factories, but instead supply needed services at a profit to households, Government agencies and other businesses.

The symbols here and on the front cover indicate the range of

these GE businesses, from hard-hat engineering services to computerized information services.

And, as demonstrated by the examples that follow in this Investor, GE's serv-

ices businesses are delivering on their growth

promises.

Over the past five years, GE services businesses have grown their earnings at an annual rate of about 20%, at superior levels of return on investment. Also, these businesses have been less affected by economic downturns than have manufacturing businesses.

Expansion of GE services businesses is supported by continuing favorable growth rates of the services sector of the U.S. economy. While high inflation rates and soaring costs for laborintensive services have limited real growth in recent years, services industries have outgrown manufacturing and construction segments of the U.S. economy. Latest available figures show that, in real terms, U.S. services grew at an average annual rate of 3.4% for the 1970-77 period, while manufacturing and construction rose 2.6%.

GE improves on these averages through selectivity. When analysis is limited to the principal services industries in

> which GE participates, growth rates for the 1970-77 period averaged 11.9% annually, far above the increases in manufacturing and construction and well ahead of the 8.7% average rise in total national income.

The case histories of GE services businesses included in this Investor are representative of the Company's participation rather than comprehensive. In addition

to the examples presented, GE services businesses include broadcasting and cablevision,

and the General Electric Supply Company Division (GESCO).

General Electric and the Cox Broadcasting Corporation have negotiated an agreement, subject to approvals by Cox share owners and appropriate Government agencies, to combine Cox Broadcasting with GE's broadcasting and cablevision operations.

GESCO provides distribution services through a network of supply centers stocked with GE and other products needed by contractor, industrial, commercial and utility customers.

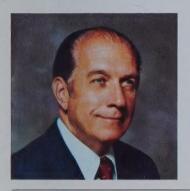
These plus other General Electric service activities give GE a large and growing stake in an industry that has made the United States the world's first "service" economy" - one in which well over half the work force is performing services rather than manufacturing goods.



General Electric **Credit Corporation**

Innovation in finance has carried it from a small in-house credit arm to the front ranks of U.S. finance companies.

John W. Stanger President and General Manager General Electric Credit Corporation



The General Electric Credit Corporation (GECC), which once existed solely to finance the sale of GE consumer products, has become the third largest diversified finance company in the U.S., with earning assets of over \$6 billion in 1978 and contributing \$77 million, or about six cents of every dollar earned for General Electric share owners during the year.

How has this transformation from a small in-house credit affiliate to a national leader in the financing industry come about? "We're problem solvers in financing," says John W. Stanger, president of this wholly-owned GE affiliate, headquartered in Stamford, Conn. "Our main strength has been in spotting the emerging financing needs of industry, commerce and the consumer, and developing special financing programs to meet those needs."

Innovation has played as large a part in the Credit Company's growth as it has for General Electric product businesses.

Stanger expresses the pride of his organization: "We've plowed new ground in financing. Back in the mid-1950s, when GECC first began to direct its attention outside General Electric, we pioneered a new financing service to the builders and buyers of mobile homes. Later, our people recognized the need of retailers to have their own credit card systems, and today GECC private label and customized credit card programs are at work for some 18,000 retail firms. Another big step in innovation came with General Electric Credit Corporation's introduction of 'leveraged leasing' - by which the Credit Corporation utilizes the funds of major institutional lenders to aid in the purchase of large industrial and transportation equipment and facilities which are leased to industrial and transportation companies. These and other financing innovations. including fleet rental systems for construction equipment distributors and full-

General Electric Credit Corporation's predecessor company was formed 45 years ago, primarily to finance the sales of GE consumer products. V





GECC still finances GE products, but the range now includes GE locomotives, GE-powered aircraft and heavy industrial apparatus, as well as consumer goods. GE products account for 6% of GECC's total receivables. ▲

service leasing services, have been the mainsprings of our growth."

In terms of earnings, GECC has been one of the fastest-growing GE businesses. Its 1978 earnings were up 15%, in line with the average annual growth rate it has maintained over the past decade. Comments Stanger: "Demand for our services continues strong in 1979. Present high interest rates push up our borrowing costs. but these increases are being offset by the greater volume of our business and by improved price realization for our services. This should be another good year for us."

The Credit Corporation's growth in a wide variety of finance markets has created a broadly diversified company, no longer solely dependent on GE consumer products. "Now we also finance such other GE products as locomotives, medical equipment, mobile radios, GE-powered aircraft and heavy industrial apparatus. However, General Electric products

account for only 6% of GECC's total receivables," says Stanger.

Leasing has been a major factor in bringing about the change away from a total GE orientation. Stanger explains: "GECC is recognized as a leader in this form of financing, which provides an economical means of capital formation for many large and small businesses that cannot directly utilize the tax benefits of ownership. The more than \$4 billion worth of industrial and transportation equipment in our portfolio covers a wide range. The Corporation has, as an example, become the owner of thirteen tankers and two containerships - the largest tanker fleet (in dead weight tons) in the U.S. Merchant Marine – all of which are operated by major oil companies under long-term leases. GECC is also the owner of an offshore oildrilling rig, locomotives and boxcars, commercial and business jet aircraft. computers and industrial facilities - all

of which are leased to operators at rates that are profitable for us as well as being advantageous to them."

In still another new move, the Credit Corporation has become a growing factor in the insurance industry. Its entry came in 1971 when it acquired what is now the Puritan Insurance Company, a propertycasualty underwriter. In 1973, GECC also acquired the Puritan Life Insurance Company. Says Stanger: "Insurance operations are a good complement to a finance company's operations, since they generate cash without incurring debt.'

Reflecting its growth and diversification, General Electric Credit Corporation has been organized into four main operations: • / Consumer Financing Division, headed by Vice President and General Manager Raymond F. Pettit. Heir to GECC's original business, this Division now provides a wide variety of innovative credit programs to the consumer marketplace. The Division



About 94% of GECC's business today comes from financing services provided to a wide spectrum of customers, including financing of large motor homes. <

An important GECC service to consumers today is the offering of efficient credit card programs to retail stores. Some 18,000 retailers utilize this GECC service. ▼



is the industry leader in both home products and mobile home markets, providing consumer time sales and dealer inventory financing services. In addition, this Division is a major factor in other markets such as recreation vehicle and marine products financing, real estate secured lending, and home improvement loans. Through a subsidiary, General Electric Credit Auto Lease, Inc., the Division serves the rapidly growing import automobile leasing market. A recent innovative product addition is GECC's own finance card, called the Major Purchase Card, which can be used by consumers to extend payments for large dollar purchases of a wide variety of consumer products.

· Commercial and Industrial Financing Division, under Vice President and General Manager Lawrence A. Bossidy. The Division offers a broad range of financing and lease plans to such diversified industries

as construction equipment, machine tools, commercial and business aircraft, transportation, railroads, mining and other extraction industries, commercial marine, information systems and many others. The Division also provides customized revolving credit financing programs for some 350 leading retailers and selectively participates in new real estate investments. primarily through loans on incomeproducing properties.

 Puritan Insurance Company, headed by President and General Manager Ronald C. Ade. With over \$95 million in assets today, it has increased its earnings at an average rate of more than 45% per year since joining GECC.

 Puritan Life Insurance Company, headed by Warren Higgins, its president, has doubled in size since joining GECC in 1973. Its 10,000 licensed agents are currently writing insurance at a rate of more than \$1 billion per year, and insurance in

force at year-end 1978 was \$5.7 billion.

Another significant aspect of GECC is its Corporate Finance Operation, headed by Vice President-Finance Leo A. Halloran. This operation has responsibility for providing the funds to support the General Electric Credit Corporation's financing activities.

Summing up, John Stanger emphasizes the critical importance of innovative people: "GECC plans are successful because whenever we enter a new market our people concentrate on thoroughly understanding that market. We help with financing in some 45 industrial markets, as an example, and among our 7,800 people there are teams of GECC employees who are expert in every one of those technologies. We have, in development, additional new ideas in financing and insurance services which will help us continue to make substantial contributions to earnings for GE share owners.'



Concept of "leveraged leasing," whose development was led by GECC, results in the firm's ownership of equipment, such as big tankers that are leased to their operators.

Worldwide construction services

Need a complete power plant installed? A transmission line built? An airport lighted? Two GE operations work on a coordinated basis to handle projects around the world.

Edward F. Roache Vice President and General Manager, International Construction Division



Since dry weather causes the Amazon River to fall some 70 feet, GE had to design and build a unique circulating water intake structure and access bridge for Brazil's Manaus power station. GE vertical motors help pump river water to the plant.

To string 23 miles of transmission lines in swampy and mountainous terrain near São Paulo for a Brazilian utility company, Sade/ Sadelmi Construction Operations hired helicopters for the construction task. \(\nbegin{align*}
\text{V}
\end{align*}



General Electric in the construction business?

It's been necessary, in many instances, in order for the Company to sell large apparatus. Developing countries needing power generation equipment, for example, will oftentimes place an order only with the understanding that the manufacturer will install the equipment on a complete-plant, or "turnkey," basis.

But GE managers decided to regard construction service not merely as a necessity but as a business opportunity. Today, GE's International Construction Division is handling construction projects all over the world – and is adding a very solid growth business to the GE total. In 1978, Division sales increased 30% over the previous year and, since 1973, sales have grown nearly five times.

An example of the Division's work is the liora power station project in Nigeria. Last year, Nigeria's National Electric Power Authority (NEPA) was faced with a serious problem when dry weather caused the level of the Niger River to drop, affecting hydroelectric plants that delivered much of the country's electric power. To help meet expected shortages, NEPA turned to General Electric. Three frame-5 gas turbines were ordered for the ljora power

station in Lagos, and the International Construction Division delivered and installed the equipment on a turnkey basis in a record time of only eight months.

Such a feat has become standard fare for this Division and its two main organizational components: the International Projects Department (IPD), based in New York; and the Italy-based Sade/ Sadelmi Construction Operations. At Ijora, IPD assumed responsibility for all aspects of design and civil engineering, and Sade/Sadelmi constructed the plant and installed the equipment.

"IPD's essential role," explains Vice President Edward F. Roache, the International Construction Division's general manager, "is to handle 'extended scope' project services – taking on those projects where the customer wants not individual pieces of equipment, but a complete and integrated system. Sade/Sadelmi, with its fine reputation achieved through many years of worldwide construction activity, complements IPD's work by offering a broad range of installation and construction skills. Together, these components are providing a service that has enabled General Electric to win millions of dollars' worth of business that the Company would not otherwise have received."



International Projects Department's

work is primarily with General Electric's Power Systems Sector. To date, IPD has installed approximately 5:200 megawatts of electrical generating capacity worldwide. It undertakes work on its own as well as in conjunction with Sade/Sadelmi.

Examples of projects:

 For Brazil's Manaus power station, IPD recently installed on a turnkey basis two GE 50-megawatt steam turbine-generator sets, which add to two GE units already in operation. A special engineering problem - extremes between the wet and dry seasons which cause a 70-foot fluctuation in the level of the Amazon River — required IPD to design and build a circulating water intake structure and access bridge which reaches 1,000 feet out into the river.

· For the Rio Haina station in the Dominican Republic, IPD — with Sade/Sadelmi as a subcontractor - recently installed two GE 85-megawatt steam turbinegenerator sets, also on a turnkey basis.

Notes VP Roache: "IPD provides 'pullthrough' for many GE products by taking on projects where the customer wants a complete system. Such projects include gas, steam and combined-cycle STAG (steam and gas turbine) power generation facilities; electric transmission and distribution systems; and oil and gas pipelines and processing plants.

Continues Roache: "IPD has developed a good track record of bringing projects in on time and within targeted costs. It derives its income from the 'value-added' services it provides in coordinating the products and services of different GE operations and those of outside contractors, and in managing other activities the customer requires. It carefully selects the projects it undertakes - choosing ones where it can contribute services and management skills for which the customer is willing to pay."

Sade/Sadelmi Construction Operations

- part of International Construction Division - is a system of affiliated companies in Latin America, the Middle East, Africa and Europe. Formed in 1947, it subsequently joined what is now a GE Italian affiliate and thus became a part of GE. As a broad-line, entrepreneurial construction firm, it handles projects all over the world - both for GE and for other companies.

"IPD needs a team it can count on to handle the construction phases of various projects," observes Roache. "Sade/ Sadelmi has the skilled field supervision which can organize local people to prepare the terrain, make the excavations. put in foundations, receive the equipment. install it, and deliver the facility on time."

Transmission lines represent Sade / Sadelmi's single largest construction activity. The firm has built more than 30,000 miles of lines worldwide.

Power stations and substations are another important Sade/Sadelmi activity. The firm has installed some 4.100 megawatts of electrical generating capacity.

Among Sade/Sadelmi's construction accomplishments are industrial installations, paper mills, oil and gas refineries, and cement plants. Its civil work includes development of municipal water supplies. highway construction, river diversion, and lighting for Rome's Leonardo da Vinci Airport and Buenos Aires' Ezeiza Airport.

Concludes Roache: "Both Sade/ Sadelmi's and IPD's past successes reflect a strategy of using their resource strengths to win new contracts in developing countries – then building a strong local presence as a base for pursuing further local opportunities. Both components enjoy strong growth records and, together, provide a full line of project engineering, management and construction services to assure General Electric customers of top quality standards."

When "brownouts" threatened Lagos, Nigeria, in 1978, emergency electric power was provided by three GE frame-5 gas turbines at Ijora station. GE used chartered vessels and aircraft for fast delivery.

More than 31,000 GE construction workers are scattered around the globe - on such iobs as erecting power plants and petrochemical complexes, doing civil engineering work and installing airport lighting.

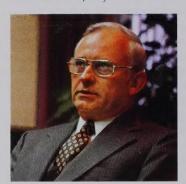




General Electric Information Services Company

'The most extensive information teleprocessing network in the world today'

Donald S. Bates, President General Electric Information Services Company



The idea of using computers no longer frightens modern business managers; they have discovered that the information services technology of today is friendly to their foremost business needs. In fact, thousands of customers are finding that the General Electric Information Services Company (GEISCO) can provide them with a cost-effective way to strengthen their management and control of company resources and data.

"We are currently serving some 5,000 customers all over the globe," says Donald S. Bates, president of GEISCO, "and our customer base continues to grow rapidly."

This worldwide reach for this General Electric business is in contrast to its beginnings in 1965, when its forerunner comprised a small but innovative operation in Phoenix, Arizona. At that time, General Electric announced the first commercial time-sharing service. Three years later the Company established the world's first commercial information processing network, providing computer time to clients in 42 U.S. cities.

An annual growth rate of over 20% has been maintained by General Electric Information Services since its infancy, Bates points out. Growth has been aided by the development of a full range of management tools and software services that help users solve tough problems, whether in financial management or human resources. GEISCO now offers capabilities that assist industry as well as functional managers in a variety of areas, including banking, energy, manufacturing, purchasing, marketing and sales.

According to Bates, it's the company's substantial "value-added" resources that help customers solve critical business problems. "Chief among these resources," he comments, "is our MARK III® Service – the most extensive commercially available information teleprocessing network in the world today, reaching over 600 cities in 24 countries. Multinational companies are finding this network an invaluable aid for increasing management control and tying together their far-flung operations."

The business became a still stronger international computing services supplier on January 1, 1979, when General Electric Information Services Company was formed. A joint-venture company that is 84%-owned by General Electric and 16% by Honeywell Inc., GEISCO is a combination of General Electric's Information Services Division's operations and Honeywell's time-sharing marketing

operations, previously responsible for distributing GE computer services in much of Europe and Australia.

Bates makes it clear that MARK III Service is far more than a teleprocessing channel providing access to raw computer power. "We have a library of over 1,800 standard and customized business data processing applications that can be adapted to a customer's needs," he notes. "These resources, together with the ability of GEISCO people to generate business reports almost instantly, make problem-solving through computers a muchdesired business capability."

The company's emphasis on people is reflected in recent large investments in human resources aimed at giving GEISCO the opportunity to reach a broader customer base. "To meet the multifaceted data processing needs of large companies," says Bates, "we have expanded our staff of engineers and programmers capable of building information systems tailored to a customer's current and future requirements. These additions, plus the Honeywell newcomers, bring our sales, marketing and technical force to some 3,000 people, now in place to put sophisticated software into the hands of top and middle managers."

One of the new needs being served by GEISCO is for distributed data processing, a concept that puts computer power in a company's organization where business transactions actually take place.

Until recently, the only way a company could do distributed data processing was to piece together its own system. That meant dealing with a number of suppliers. "And on a massive system," says Bates, "that's a risky business. Should something go wrong, the user will have to guess which supplier to call to fix it."

Now GEISCO offers a new alternative to this piecemeal process. "MARK III distributed data processing is a fully integrated package of state-of-the-art hardware and software," Bates explains. "The benefits to the user can be enormous. Not only is this system designed to help improve productivity, decrease operating costs and reduce response time; it should also provide management with up-to-theminute reports on the business's world-wide operations."

Don Bates' view of the future for GEISCO is "to continue our solid growth by serving the increasing computing needs of existing customers, winning new customers, offering further extensions in service, and introducing our network into additional countries."

MARK III Network three computer "Supercenters" serving 24 countries



Neur Gleverand, Ohio



New Withington D.C.



Music Americana, The Netherland:



GEISCO's MARK III Network (above)
uner satellite links undersea capies and
tolophone lines - some 200,000 miles
of circuits - in reaching our from inme
computer Supercenters to span five contiments, 24 countries, 22 time cones and.

over 600 cilius. Il survus over 5 000 cuslamara, Anconflexturisions have carried the service to Venuzuela and Saudi Arabia

MARK III distributed data processing systum (below) tums at greater cast-attechveness for General Electric Information Services Company distance by othering a complete package, intelligent formities (left), linked with large central, host? Computers (center), plus software and systems support (right).







GE's apparatus service business

It began with service only on GE apparatus. Now it serves worldwide markets, including work on non-GE products, and contributes profitable growth to General Electric.

Peter C. Van Dyck Vice President and General Manager, Apparatus Service Division



Crippled by a fire that destroyed a key motor-generator, and further hampered by the failure of a large foreign-made transformer, a steel mill ground to a halt, idling 500 employees. Responding to the need to get the mill rolling again quickly, GE apparatus service shops completed repairs that normally require ten weeks in only three-and-a-half.

'Our business is to keep our customers in business," says Vice President Peter C. Van Dyck, general manager of the Company's Apparatus Service Division. "From a customer perspective, rapid turnaround and quality work are often critically important, with price secondary. For example, the shutdown of a single steel-rolling mill could cost as much as \$3 million a day in lost production."

The GE apparatus service network is the world's largest, with 189 service shops including 51 in affiliated companies in 18 countries overseas – and nearly 12,000

skilled employees at work in six major business segments. Typical work includes the repair of electrical motors and generators, large power generation equipment, locomotives, large motorized wheels, power delivery devices such as transformers or switchgear, and mechanical equipment including pumps, valves and rock crushers; and the service, calibration or rental of sophisticated instruments and data communication equipment. Van Dyck emphasizes that despite the fact that this business is now a century old, it continues to grow.

"Since the early 1970s, our business has grown 19% a year," he says, "which is substantially higher than growth in the industrial market." The Division's growth has reflected the increasing volume of installed GE apparatus and the aggressive expansion into new markets, such as compressor and pump repair, in which virtually 100% of the equipment is non-GE.



Representative of 189 GE apparatus service shops is the shop in Houston, Texas. Here the region's utility and industry customers receive help from expert service technicians equipped with such sophisticated equipment as this magnetic particle test device to detect possible flaws in a turbine rotor.

This contrasts with the Division's early role that primarily involved in-warranty service of the Company's electrical apparatus. "While we originally specialized in GE products, customers were looking for someone to handle all their equipment, and that's how we got into servicing other than GE units," recalls Van Dyck. "Today, over 40% of the apparatus we work on is not manufactured by GE."

Instrumentation and communication equipment offers a fast-growing business for the Division: "More than 60 of our shops actively participate in this market, offering instrument repair, calibration and rental, specialized measurement and diagnostic services, plus data communication equipment leasing and service. Our rental pool includes 15,000 instruments. We're aggressively pursuing this nationwide market since it's largely unserved and represents a real growth opportunity." GE is also expanding internationally

as a strategy to accelerate growth and to offset future potential slowing in domestic markets. "More and more GE apparatus is being shipped offshore, and local service facilities are necessary," he says. "For example, some 80% of GE gas turbines being shipped each year are to the offshore market." Typical of strategically located new service shops is a major facility in eastern Saudi Arabia that opened in 1977, providing gas turbine, electrical and mechanical equipment repairs.

General Electric technological strengths provide a valuable plus to Van Dyck's Division. "In addition to access to the engineering data of GE product departments. we also have access to the Company's Research and Development Center, giving us a technical competitive edge. There's also a training advantage in getting instructions on proper servicing of apparatus from the department that made it." The Division trains 3,000 employees a

year to keep their skills up to date.

At a recent financial analysts meeting. Van Dyck said that he foresees this becoming a billion-dollar-per-year business for GE by the mid-1980s. "An important strength for us," he says, "is that, as a Division within the Industrial Products and Components Sector, we work with a leadership that has set customer service as the single most important factor in providing a leading edge in increasingly competitive markets. Our programs, consequently, receive all the support we could ask."

In its planning, the Division has charted a three-pronged strategy to reach this volume: strengthening each of the core businesses; penetrating high-growth markets in emerging countries and large markets in developed countries; and accelerating diversification linked to existing shops and skills plus expanded scope into new businesses.



Distribution transformers need periodic servicing. Shown: Houston foreman checking in a shipment of transformers needing overhaul for a utility customer.





Fast-growing new business for a number of General Electric service shops is a complete service on instrumentation and communications equipment. A

Winding the armatures in the stator of a large power-maker is among the exacting tasks handled by Houston service technicians. ◀

GE's Installation and Service Engineering Division

When your business is mainly in installing equipment, and installations drop, how do you maintain growth? Enlarge your service in equipment maintenance.

Charles C. Thomas Vice President and General Manager Installation and Service **Engineering Division**



Rather than wait for hard-working power equipment to break down, progressive utilities look to I&SE specialists for regular maintenance. Shown: rotor of gas turbine being removed for its maintenance checkup.

Field service engineers of GE's I&SE Division help customers achieve successful start-up of commercial projects by checking out the integrated electrical systems of installations such as this water pollution control plant.

Recent years have brought a slowdown in the rate at which U.S. electric utilities have added power generation equipment - a trend that might have cast gloom over the GE field engineers whose job it is to install such apparatus. Yet GE's Installation and Service Engineering Division (I&SE) turned in a banner year in 1978, with sales up 20% over 1977.

Explaining this seeming paradox, Vice President Charles C. "Tip" Thomas, Division general manager, says that over the past several years, the Company's effective penetration of the growing maintenance market has more than made up for the slump in installation business. Only ten years ago, sales from installation services dominated I&SE results by as much as 65%. In 1978, installation activity had declined to 30%, while maintenance had increased to 70% of total I&SE sales.

For over 80 years, I&SE has functioned effectively as GE's strong field service arm, providing a wide range of on-site engineering and management services aimed at helping customers realize the full potential of their investments in GE capital goods, equipment and systems. The Division includes some 4,000 field engineering and support employees deployed among 150 U.S. and 20 overseas offices.

The organization includes four operating components: Mechanical and Nuclear Services for products such as steam or gas turbines and reactor equipment; Electrical and Electronic Services for motors, controls, computers and machine tools: International Service on similar equipment and systems overseas; and Projects Engineering, providing design engineering services for I&SE departments, as well as other GE components.

'We're fortunate to be involved with the product when it's shipped," says Thomas. "We try to use the opportunity provided by being the factory representative to obtain



follow-up service to keep the equipment running satisfactorily over its lifetime. This end of our business grows as the volume of installed equipment grows."

Maintenance, now the dominant portion of I&SE's business, includes such engineering services as modifications and uprating of existing equipment. It extends to complex projects as exemplified by planned turbine outages – when turbines are taken out of service for overhaul. "We've penetrated this market by coupling our technical strengths with new diagnostic services and an expanded scope of offerings," says Thomas. "Many service innovations currently applied to maintenance work were originally developed to increase service effectiveness on installations. For example, a series of computer programs developed to help plan and monitor installation projects has been adapted to help our managers dramatically reduce outage times."

Success for I&SE, in Thomas' view, "depends on having competent, capable people who can do a good job for a customer and who produce repeat business. So we plan around people. Our plans involve continual training on a variety of sophisticated equipment and in new technology such as microprocessors. Training costs for a graduate engineer typically total \$50,000 before the employee is considered fully productive on the job, and annual expenditures for Divisionwide training are over \$10

In looking ahead to the 1980s, the GE vice president sees a slowing of the maintenance market, but expects to offset this decline by growth in a variety of new markets. "We can expand our service offerings by continuing to take over functions our customers have traditionally handled and by developing whole new businesses. We see growth potentials in

working with utilities in new areas such as environmental controls, and the petroleum industry looks promising.'

Another key thrust of the Division is to expand its participation in international installation and follow-on maintenance markets. Typical is the gas turbine maintenance contract I&SE received from a Mid-East oil company. Overhauls formerly controlled by the customer took 36 to 60 days. I&SE promised completion in 28 days. It delivered in 21. The result was repeat business for the next ten overhauls, with average outage time per major inspection of only 12 days.

"The basic task of this Division is to provide strong engineering service support for General Electric equipment,' Thomas says in summary. "But we've shown that this service can be built into a profitable growth business. The Division met all its major performance goals in 1978 and, despite the uncertain outlook, has set ambitious goals again for 1979.'

Engineering appraisals conducted by I&SE engineers determine the overall condition of equipment and what will be needed to maintain it in efficient operation.

Specialized capabilities of I&SE don't stop with engineering expertise and equipment; they extend to project management disciplines that get the work done on tight schedules. ▼





After-sale service: two networks for consumer products

It's part of being an astute buyer today to include aftersale service in the purchasing decision. If and when the product needs repair, will this service come promptly, expertly and at a fair price? On the next six pages are case histories of how effective aftersale service is delivered by three representative operations of General Electric - consumer goods, medical equipment and aircraft engines.

With an estimated 80 million General Electric and Hotpoint major appliances and GE television receivers in use in the U.S. - and about 300 million GE housewares and audio products - General Electric meets customers' service needs through two national service networks.

One is for major appliances, room air conditioners and TV. It's nothing less than the largest service network offered by an appliance manufacturer: 130 factory service centers, from Maine to Hawaii, available to about 72% of the owners of GE and Hotpoint appliances and GE television sets. To provide national coverage, this network is supplemented by over 10,000 independent service operations, trained and franchised by the Company as Customer Care servicers.

The network for General Electric housewares and audio products is oriented to the customer bringing the ailing appliance or audio product to the servicer. The Housewares and Audio Division maintains 29 factory-owned service centers and some 750 authorized independent service stations across the U.S.

The quality of service on major appliances and TV is being improved in several key ways, according to Robert J. Kalember,

general manager of the Major Appliance Product Service Department.

One major push is toward the completion of as many service jobs as possible on a one-call basis. "This means competent technicians and service trucks stocked scientifically, with each truck carrying up to 600 different parts computer-selected to match appliance needs in the area,' Kalember says.

"We also recognize that today's homemaker doesn't have time to wait around all day for the service technician. Therefore, we try to promise arrival of the technician within a four-hour time span."

Another goal is the provision of evening and weekend service for families with two wage-earners and for "working singles" households. Of the Company's 130 factory service locations, 92 now provide such service on a scheduled basis.

Still another drive cited by Kalember is improved service for the four different types of service customers:

- Customers whose appliances are still under warranty;
- Customers whose appliances are out of warranty and who prefer to request and pay for service as required;
- Customers who want the protection of



a service contract, which puts a ceiling on their appliance service costs; and

• "Do-it-yourself" customers who want to repair their own appliances.

GE is strengthening its program to sell service contracts, which, as Kalember says, "freeze service costs for the duration of the contract." The contracts also protect customers' investments in their appliances — "With a service contract, appliance owners will not hesitate to request minor repairs and may thus avoid the development of major problems."

As for the do-it-yourselfers, Kalember reports that "this is a growing market, including both men and women — a recent survey shows that 24% of the women in households today can do some electrical appliance repairs."

Order blanks for service literature for most GE or Hotpoint appliances or GE TV sets are available at all factory service locations. And parts counters at all factory service locations sell replacement parts and tools at retail.

Delivering service at a fair price is a goal that must be met, Kalember says, despite the fact that maintenance and repair services are highly labor-intensive and thus vulnerable to the rising labor costs that

have affected all service industries.

He points out that it would never occur to most people to expect an automobile mechanic to come to the house with tools and replacement parts to repair a car. "Yet thousands of consumers daily request that a trained appliance technician come to their homes, at a scheduled time, with a mobile warehouse of parts, tools and sophisticated test equipment to repair an appliance. And the technicians are only 'the tip of the iceberg' of the costs involved. Backing them up are the inventory of parts and their required warehousing, the service calltakers, the dispatchers, and the field service supervisors who assist on particularly difficult jobs – all necessary and costly elements of a major appliance service network."

One strong GE response to these cost pressures is its highly sophisticated parts management system, with computers linking nine regional parts centers with the parts distribution center in New Concord, Ohio. The centers are highly automated, using on-line computers for instantaneous location of a replacement part out of the inventory of 45,000 different catalogued parts. The result is quicker delivery time for parts, which helps keep service costs to a minimum.

Service on a 'carry-in' or 'mail-in' basis is provided at the service centers of the Housewares and Audio Division. Inwarranty problems are relatively infrequent on these products, according to John R. Deemy, Jr., manager of the Division's product service operation. "In-warranty failures" are either replaced at the stores where they were purchased, or are exchanged or repaired at a service center or service station.

Customers bringing out-of-warranty housewares or audio products to a service center for repair are given the option of having the items fixed or replacing them at a special price.

Here, too, fast turnaround time on orders for replacement parts is emphasized. Replacement parts for housewares and audio products are warehoused at the parts depots in Charlotte, N.C., and Utica, N.Y. In addition, each service center carries a selected inventory of replacement parts and accessories.

Prompt and courteous service, handled by trained and experienced service technicians — it's part of the package consumers buy when they choose General Electric, and it's one of the main reasons why consumers keep coming back to GE for their subsequent purchases.



General Electric medical systems service operations

'Backed by 1,200 service technicians — the industry's largest U.S. service team'

As the leading U.S. supplier of professional medical equipment, GE has followed through with first-class equipment service. The GE Medical Systems Division also employs the industry's largest and most highly trained service organization.

Largest: today more than 1,200 General Electric service technicians are deployed throughout the U.S., compared with only 700 seven years ago.

Most highly trained: the Division operates its own Medical Systems Institute at its Milwaukee headquarters. This facility and its staff are devoted to the training of both sales specialists and service technicians. Here, new medical service people are prepared for their jobs and, periodically, seasoned operators are brought in from the field for refresher courses and for familiarization with new equipment and improved techniques.

At General Electric's Medical Systems Division, service is viewed as a very important function. With patient care at stake, reliable and competent servicing of medical equipment is essential. As a consequence, from the time that General Electric first entered the market for x-ray equipment in 1920, the availability of capable service technicians and replacement parts has been considered an essential element in the sale of the products themselves.

The total market for the kinds of health products and services provided by the Medical Systems Division has grown to more than a billion dollars annually. The Division has responded to this opportunity by diversifying beyond its historic leading role in diagnostic x-ray equipment and entering new fields of diagnostic imaging such as computed tomography and nuclear medicine, plus the field of medical monitoring.

Service has kept pace. Established as a separate business component in 1972, the



Medical Systems service operation has since expanded to match the growth of the installed equipment it serves. "The average annual growth in Medical Systems service sales," says Robert L. Stocking, general manager – Sales and Service Operations, "has approached 20%, and we expect strong performance in the years ahead. The service component also makes a solid contribution to the Division's earnings."

For the Medical Systems Division, the reputation for service excellence pays other dividends. As an example, General Electric was able to establish an excellent position in the U.S. market for computed tomography – the exciting new technique for making and analyzing cross-sectional scans of the human body – within a short time after the introduction of the Company's own system. The General Electric success was based on a technology that was the most advanced in the

field. But an additional positive factor came from customers' knowledge that their purchases of this new equipment would be backed by an excellent service organization.

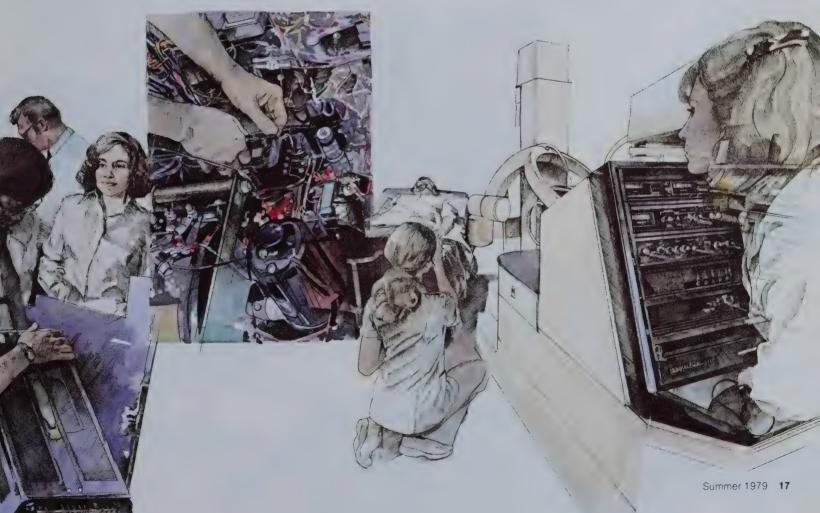
Service also gains in importance today as hospitals face strong Government pressures for cost containment. There are growing demands for service as hospitals strive to trim expenses by keeping aging equipment in operation. In addition, advanced medical equipment systems enable hospitals to examine more patients in less time, enhancing the cost-benefit ratios for the health care delivered — and it's up to the General Electric service technicians to keep this equipment in topnotch working order.

What's ahead for the GE Medical Systems Service Department? "Our aim is for further profitable growth," says Stocking. "In addition to expanding to serve the ever-increasing numbers of General Electric professional medical systems in use, we have other growth strategies."

Chief among the further opportunities foreseen by Stocking:

- Increased emphasis on converting the service business from reliance on emergency repair of equipment to preventive maintenance service.
- Expansion of the products and systems served as the Medical Systems Division develops new product lines. Most probable addition: diagnostic ultrasound.
- Opening up new service markets, such as that for refurbishing older equipment, as hospitals respond to cost-saving pressures.

The GE service staff also sees growth potential in the field of technical and managerial education, aimed primarily at the hospital industry itself and based on the recognized capabilities of the Medical Systems Institute.



Aircraft engine service

With airlines stepping up their orders for GE-powered planes, GE service 'tech reps' are being increased 30%.

During recent months, domestic and international airlines have:

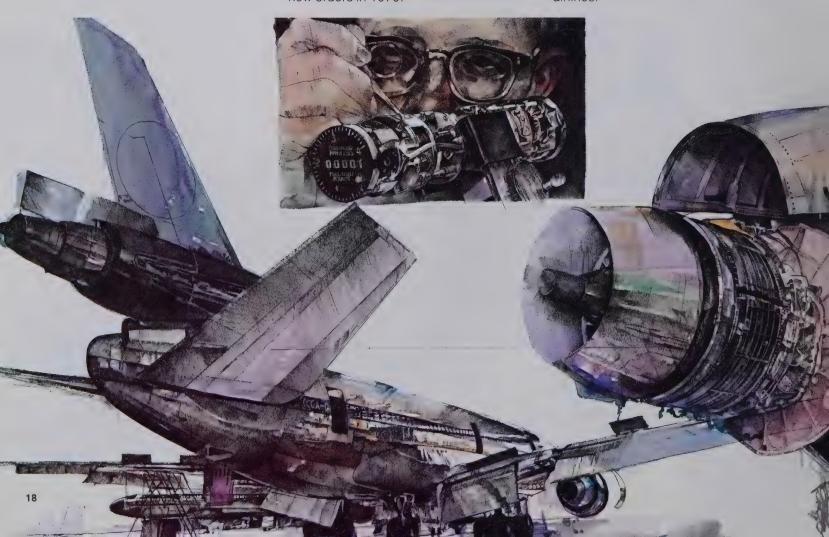
- ... ordered a fleet of Boeing 767s powered by GE CF6 engines . . .
- ... selected General Electric jet engines for new Boeing 747 and Airbus Industrie A300 aircraft . . .
- . . . purchased GE-powered Airbus Industrie A310 twinjets . . .
- ... re-ordered McDonnell Douglas DC-10s powered by General Electric CF6 engines to expand their fleets . . .
- ... and chosen to re-engine DC-8 aircraft with CFM56 engines developed jointly by GE and SNECMA of France.

The upsurge in demand for General Electric commercial jet engines made 1978 a record orders year for the Company's Aircraft Engine Group, and has carried over with a continuing rush of new orders in 1979.

As one result, General Electric's jet engine business, once devoted almost entirely to equipping military aircraft, is expected to be about evenly divided between commercial airlines and military uses by next year.

The dramatic growth in commercial engine operations, and their expected continuing growth, directly affect the Aircraft Engine Group's service activities. The Group is challenged to expand its worldwide force of field service representatives — known in the trade as "tech reps" — to keep pace in its support of aircraft powered by General Electric jet engines.

Comments Vice President Fred O. MacFee, Jr., Aircraft Engine's group executive: "We now have some 450 GE service representatives at work in 45 countries. Our plans are to expand this field service staff by about 30% by the end of 1981, primarily to serve commercial airlines."



To meet this goal, Field Service is accelerating its training programs. MacFee points out that "where there was formerly one eight-month training program offered each year — including four months in the factory and four in airline shops or in our major GE engine overhaul facility at Ontario, California — in 1979 two programs will be conducted. One was started this spring at our jet engine plant in Evendale, Ohio, and a second is scheduled for the fall."

In addition to its Ontario shop, the Aircraft Engine Group operates four other engine or component repair facilities. When an engine needs maintenance or repair, it may be sent to Ontario for complete refurbishing and performance check. Or, the airline may disassemble the engine and send components that require repair to one of these facilities. GE tech reps apply their expertise to help get the engine back into service as quickly and

economically as possible. "The normal 'turn time' for an engine in the shop," says MacFee, "is 90 to 120 days; but by inventorying replacement parts and subassemblies, our Ontario facility can have an engine repaired and tested in 30 to 45 days."

A repaired engine is put through the same rigorous testing as a new engine. In a test cell, it is subjected to all the stresses it might encounter in flight. Test results are computerized, fed into the main engine plant at Evendale, and measured against standards set for engines in top working order. Only when the performance results meet these high standards is the engine returned to the customer.

Extended over 80,000 GE jet engines built in more than 30 years, this kind of service has given the Company the lead in overhauling more jet engines than any other original engine manufacturer.

But service is given a broader definition

by the Aircraft Engine Group. "The total package of support programs offered," MacFee explains, "includes helping the customer with advance logistics, such as determining the engine maintenance and repair needs as well as the tools, facilities, parts and the like that will be required. We offer airline support engineering, including flight monitoring so as to detect technical problems, analyze them and correct them. And we handle a worldwide logistics system, helping customers forecast and schedule to meet future needs."

One final detail underscores the confidence that customers place in GE aircraft engine service. "Last year," says MacFee, "our airline customers sent some 900 of their people through GE training programs in operations, line maintenance, module repair and complete engine overhaul. We provided videotapes that customers could take back with them and use to train their own people on site."



Corporate Consulting Services

Faced with operating problems, GE managers have the option of seeking expert help from the Company's own in-house consulting organization.

Marion S. Kellogg Vice President Corporate Consulting Services



When business managers outside GE need specialized services such as a market research study or an objective analysis of their operation's productivity programs, they usually call on external consultants.

GE managers, however, do have an option: they can call on General Electric's own in-house Corporate Consulting Services (CCS).

"We offer General Electric operating components many types of expertise, but no one has to hire us," says Marion S. Kellogg, vice president - CCS. "Our organization depends for its existence on developing problem-solving competence that GE managers are willing to pay for."

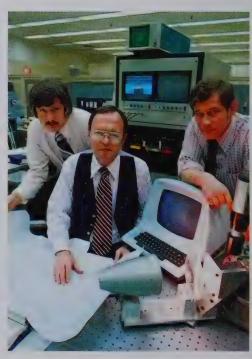
How has CCS developed this competence? "Over time, General Electric's diversified operations develop a storehouse of experience in how to do things right," she explains. "One of the things our CCS organization does is identify these successful experiences, retain them and, with the consent and support of their developers, radiate them to other GE operations faced with similar problems. Oftentimes these favorable experiences result from development programs jointly



sponsored by CCS and interested operating components. In addition, we keep our own research and development efforts going, in order to initiate new expertise."

What are examples of problems CCS helps to solve? "We're active on both external and internal types of problems confronting GE managers. Externally, we help operations size up their competitors and get a better understanding of their markets - what products and features the customer really wants, how to introduce and price them, and what quality and service levels are required.'

Internally? "CCS helps in many different ways, from providing design reviews or helping with a quality system to improving productivity. An important activity consists



CCS manufacturing management consultants seek improved production controls.

Among courses conducted by CCS: Advanced Marketing Management Seminars. ◀

of the training courses we offer - our Advanced Marketing Management Seminars, for example. In 1978, CCS trained about 2,500 professionals in 14 advanced technical courses. Our expertise in improving productivity isn't armchair philosophizing - in Schenectady we have facilities for designing and building automation equipment and developing new manufacturing processes."

Is CCS help offered only to GE operations? "Not exclusively," VP Kellogg reports. "From time to time we have provided services to businesses that are not competitive with GE. But our primary focus is on helping the Company's own businesses become more innovative, more productive, more profitable."

The wide range of CCS expertise is reflected in the organization of its 400 employees into four components, supported by financial planning, analysis and manpower staffs:

· Marketing Consulting. "We offer a wide variety of expertise in traditional areas such as marketing strategy, margin management, marketing research, and customer service improvement programs," comments John B. Bradbury, component manager. "Additionally, our services range from leadership of the Marketing Managers Conference, where we radiate state-of-the-art marketing technology, to designing training programs to improve sales force productivity. The strength of our organization lies in our commitment to develop programs to achieve measured improvements for our clients - meaning implementation.'

• Engineering Consulting. "Our objective is to help engineering managers improve their contributions to their businesses," says the component's manager, Leonard A. Morgan. "We offer assistance in design producibility, design reviews, electronics applications in products, and other product design-related activities. We also provide expertise in organization and management of technical work, including engineering strategy, program management, and establishment of effective interfaces with marketing and manufacturing,

including application of interactive graphics. We provide training courses for both managers and individual contributors engaged in technical work aimed at improving both the productivity of technical organizations themselves and of the products they develop and design."

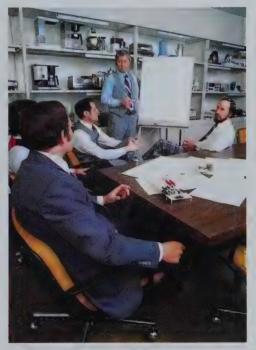
 Manufacturing Engineering Consulting and Applications Center. "Our focus is on anticipating and responding to Company issues and challenges as they relate to technical manufacturing capabilities." says this component's manager, Julius A. Mirabal. "For example, we provide experienced technical assistance in electronics manufacturing, in facilities planning, and in the application of such advanced manufacturing technologies as robots, interactive graphics, computer systems, automation equipment and materials-savings processes.

 Manufacturing Management and Quality Control Consulting. "Productivity is our chief concern," says the component's manager, Alfred P. Taylor. "We focus on increasing productivity of salaried and hourly employees, improving materials flow planning and inventory management, advancing quality control, and streamlining the management of the manufacturing function in total. And because helping to



develop the functional skills of professional and managerial employees is vitally important, we offer training courses in all areas of our work."

What's the outlook for Corporate Consulting Services? Marion Kellogg sums up: "CCS thrives on change. If GE were a static company, CCS would go out of business. But GE is a dynamic, constantly changing company. There are always new problems to be solved. Our consultants. our competencies, our project-management mode of operation are all geared to getting things done in this kind of environment. So I believe GE managers will continue to need and value our services. They prove it each time they hire us for a critical piece of work."



Aid to GE Housewares engineers typifies work of CCS engineering consultants. A

Consulting takes solid form in automation equipment developed at CCS center.

Report on the 1979 Statutory Meeting

Continuing its program of rotating share owner meetings to different cities in order to make participation available to greater numbers of share owners, General Electric held its 1979 Statutory Meeting in Charlotte, N.C., on April 25. More than 82 percent of the outstanding shares entitled to vote were represented at the meeting through proxies returned to the Company.

In his opening remarks, Board Chairman Reginald H. Jones, who presided at the meeting, commented on two problems that affect the Company and the economy generally:

• Inflation. Chairman Jones pointed out that the only way to make real headway against inflation is through restrained governmental fiscal and monetary policies and a reduction of excessive governmental regulation. These, he said, are the root causes of inflation.

He assured share owners that they could be confident that their Company has not been an inflationary force in the economy. As the result of intense competition at home and abroad, over the past three years electrical industry prices have been rising considerably more slowly than either the consumer price index or the industrial price index.



'GE has not been an inflationary force,' Chairman Jones told Charlotte audience.

• Energy. While it is premature to reach any firm conclusions about the recent Three Mile Island nuclear incident, he said. what is clear is that "we now have increased public uncertainty about energy, just at a time when we need a stronger national commitment to clear-cut public decisions. Our own depth analyses indicate that the United States will need to exercise every available energy option oil, natural gas, coal, nuclear power and conservation - if we are to balance our supply with the foreseeable demands between now and the beginning of the 21st century." The nation also needs, he added, to invest in the development of renewable forms of energy, such as solar and biomass but, realistically, these cannot be expected to provide a large proportion of the nation's energy budget over the next two decades.

Matters to be voted upon at the meeting were presented in the order in which they appeared in the 1979 Proxy Statement. The 19 Directors listed in the Proxy Statement were placed in nomination to serve as Directors for the ensuing year. No other nominations were made. Share owner John Gilbert objected to the fact that 15 Directors were not present – a question also directly involved in share owner proposal number two.

The appointment of Peat, Marwick. Mitchell & Co. as independent Certified Public Accountants for 1979 was proposed. Mr. Gilbert asked a number of questions, including several relating to the role of the Audit Committee of the Board. After the Chairman responded, Walter E. Hanson, the Chairman of Peat, Marwick, Mitchell & Co., emphasized the openness of the firm's dialogue with the Audit Committee. Director John E. Lawrence, a member of the Board's Audit Committee, pointed out that at Committee meetings the Company's internal auditing staff as well as the external auditors are represented.

The first share owner proposal to be placed before the meeting, submitted by Evelyn Y. Davis, of Washington, D.C., requested that share owners be provided each year with a list of Company officers. consultants and Directors serving in any

governmental capacity during the previous five years. There was no extended discussion of this proposal.

Share owner proposal number two. submitted by Wilma Soss and the Federation of Women Shareholders in American Business and by Margaret, Lewis and John Gilbert, of New York City, asked for an amendment to the Company's bylaws to reinstate Annual Meetings with "customary ritual and procedures," including the attendance of nominees for election to the Board, instead of Statutory

In presenting the proposal, Mr. Gilbert repeated his earlier observation that Director nominees should be present at the meeting at which they are to be elected. He also objected to the format of the Company's Information Meetings where share owners are asked to submit their questions in writing

The GE Chairman, in responding to the proposal, explained why GE has two share owner meetings - the Statutory Meeting in April and the Information Meeting in October. He said that the Directors have found attendance at the Information Meeting to be more useful than attendance at the Statutory Meeting, which in recent vears has been dominated by lengthy discussions of proposals by special interest groups.

While the Directors opposed this resolution in 1979, Chairman Jones said, the Board will revisit the issue during the year. "Your Board," he continued, "is going to be open-minded on this matter." Share owner Gilbert commented in response, "I think we are going to make progress."

Share owner proposal number three, submitted by Louis A. Brusati, of Chicago, requested a bylaw amendment providing that share owner meetings be held in major cities within 300 miles of St. Louis, Mo., on the basis that "the population center of the United States is in Clair County, just across the river from St. Louis.

Chairman Jones explained that, in view of the fact that GE has some 560,000 share owners living in all 50 states, "we have found it advantageous to move our meetings around the country." The Directors, consequently, recommended a vote against the proposal.

Proposal number four, submitted by Allen E. and Hazel D. Townsend of Schenectady, N.Y., requested the Board to appoint one or more hourly employees to the Board of Trustees of the General Electric Pension Trust in order to represent the workers who, as Mr. Townsend explained, make contributions to the Pension Plan.

The Chairman commented that the Board had recommended a vote against the proposal because the work of the Trustees in seeking to maximize the return on the Trust's investments required the concentrated efforts of experts who are



Present at Charlotte: Share owners Mr. and Mrs. Joseph Strubeck of Hanover, Pa.

"living in the financial community day in. day out."

Proposal number five, submitted by Phillips Publishing, Inc., of Chevy Chase. Md., and presented by the firm's representative, Gerald Norton, requested an amendment to the articles of incorporation that would require the Company to decrease, and, ultimately, terminate business and trade with Communist countries.

The opinion expressed was that such trade, especially high-technology trade. could only strengthen tyrannical regimes that remained dedicated to ultimately destroying the capitalistic system that makes GE possible. He disputed the argument that such trade can promote understanding and improved relations.

The GE Chairman noted that while the Company has a responsibility to speak out on public policy issues where the Company has some special competence (for example, in the economic area), it has no special competence with respect to the strategic military or foreign policy aspects of international trade. In these areas, he said, the Company must rely on the judgments of the Congress and Executive Branch of the Federal Government.

During the general discussion, Mr.

Brusati sought to introduce 16 additional proposals relating to such matters as the proxy process, conduct of annual meetings, post-meeting reports to share owners, and employee stock options. These proposals, in substance, have been submitted by Mr. Brusati over a number of years. They were not included in this year's Proxy Statement. The Chairman ruled that the proposals were not properly before the meeting and, as in prior years, Mr. Brusati protested the meeting.

The wide range of other subjects discussed with share owners during the meeting included Director attendance at Board and Committee meetings, possible Director conflicts of interest, the effects of recent changes in Iran and China on GE operations, nuclear plant safety, disposition of nuclear wastes, the need for increased research in alternate energy sources, recent pension improvements for retired GE employees, pension funding, and the costs of having bank and broker

nominees solicit the proxies of beneficial owners.

Jeannie R. Peterson, representing the National Council of Churches, commended the Company for agreeing to make information available on the Pinellas Plant facility, near St. Petersburg, Fla., which GE operates for the U.S. Department of Energy. On the basis of this agreement, the Council had withdrawn its proxy resolution on this matter.

The GE report on the Pinellas facility. which produces electronic components for use in the U.S. nuclear weapons program, is available to share owners, as is a second report, a March 1979 Update on South Africa, which reviews recent progress in implementation of the General Electric Statement of Principles.

For either report, write to Investor Relations, General Electric Company, Fairfield, Connecticut 06431.

Results of balloting at the meeting included the reelection of 19 incumbent Directors and the approval, by 99.8% of the shares voted, of the appointment of Peat, Marwick, Mitchell & Co., as independent Certified Public Accountants for 1979. The five share owner proposals were defeated:

- Proposal number one, requesting lists of Company executives with government service, received a favorable vote of 1.6% of the shares voted.
- Proposal number two, calling for reinstating the Annual Meeting, received a favorable vote of 3.2%.
- Proposal number three, requesting meeting sites within 300 miles of St. Louis, received a favorable vote of 1.2%.
- Proposal number four, relating to hourly employees as Trustees of the GE Pension Trust, received a favorable vote of 2%
- Proposal number five, on avoiding business dealings with Communist countries, was supported by 1.4% of the shares

Additional information on the balloting is available from the Company.



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Spotlighting the Worldwide Service Capabilities of GE's Engineered Materials Business...

For GE's Engineered Materials business, growth hasn't depended merely on supplying some of the world's best high-technology materials, but on service as well. And our concept of service is to show our customers how and where to use these materials.

The Engineered Materials Group has invested heavily both to gain technological leadership and to establish a worldwide network of application development centers, where we work hand-inhand with our customers in developing new products and new applications for our materials. These centers help us realize our own growth by insuring the growth of our customers' businesses.

It's a system that's working. Sales from the billion-dollar Engineered Materials Group have doubled in only five years – and continued strong growth is expected.

Here's a profile of our worldwide service capabilities:



Automotive Materials
Center. To capitalize on
the \$200-million opportunity in the automotive
industry, we're expanding the Auto Polymers
Center to include application development
support for all of our
products.



Plastics. Providing the industry's best design and processing support at Centers in Pittsfield, Mass., Selkirk, N.Y.; Detroit, and Los Angeles, Internationally in France, Germany. Holland, Italy, Japan, and Australia.



Metallurgical Businesses. Translating new technologies into metalcutting and mining realities is the function of Detroit's Customer Application Development Center. As well as similar Service Centers in Houston. Cleveland, Columbus, Chicago, Kenilworth, N.J., and overseas in England, Germany, Italy, France, and Japan.

Silicones. At Centers in Waterford, N.Y., Detroit. Los Angeles, and internationally in Canada, England. Holland, France, and Japan – GE experts in sealants provide customers with invaluable design and application assistance.



Batteries. In Gainesville, Fla. and Germany, the industry's leading electrochemists work directly with customers to develop precise power sources for new products.



Laminates and Insulating Materials. Customers depend on this firstin-the-industry scanning electron microscope to insure that circuit board materials meet the exacting needs of their microelectronics.



The worldwide service capabilities of GE's Engineered Materials business – a key to realizing high growth potential and maintaining sales and earnings leadership.

Progress for People through Engineered Materials





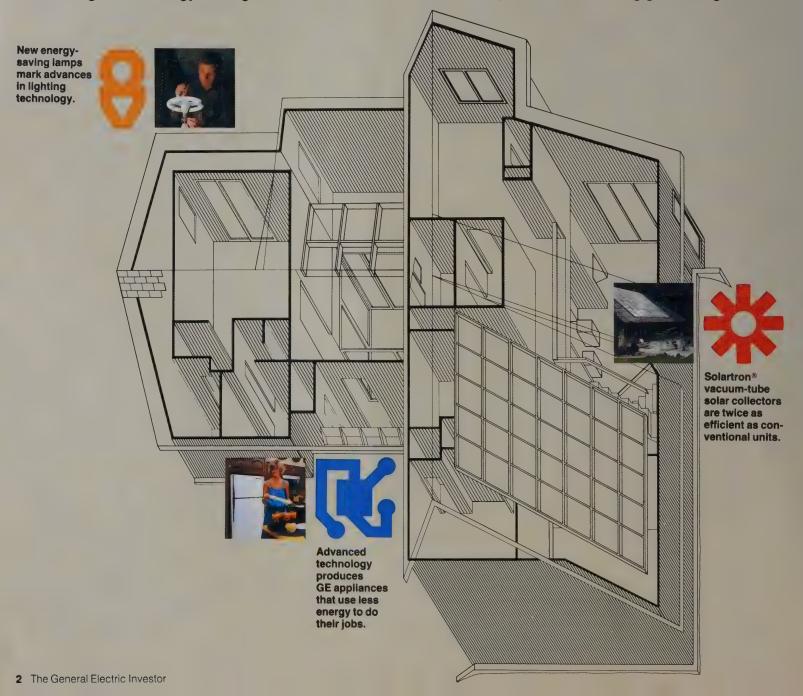
GE technologies for the home

Technology—it's a word that is identified readily with large, complex equipment such as space satellites, computer networks and advanced medical equipment. But can it be applied to those more mundane products that cook food, wash clothes, supply hot water, and provide lighting?

At General Electric, the answer is definitely yes. Hundreds of creative GE people are engaged in advancing new technologies for the home—ways to make family life easier, more convenient, more time-conserving, more energy-saving, more secure.

As surveyed in these pages, important new General Electric technological developments are changing the shape and future of lighting. GE advances enable appliances to do more with less energy. The "new electronics" is making products more versatile. Other General Electric innovations help consumers protect their homes, cook with microwaves, put solar energy to work and "bank" hot water.

Technology—the word fits when it applies to GE consumer products that "bring good things to life."



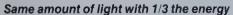


Lamps that do more, with less energy

General Electric technology for the home began a century ago with Thomas Edison's invention of the incandescent lamp. And the pace of GE lighting innovation has never slackened, as shown by two recent developments that open up new growth prospects for the Company's residential lighting businesses:

GE's circular fluorescent

Circlite[®], General Electric's new circular fluorescent lamp, offers consumers three advantages - energy savings, long life and easy installation. Introduced this fall, it uses only 44 watts to produce as much light as a 100-watt incandescent bulb - an industry first - and can be installed in exposed ceiling fixtures and many portable household lamps. The adapter containing the ballast control is placed in the incandescent socket, and the 10-inch-diameter circular fluorescent tube is attached to the adapter. The Circlite tube has an average life of 7,500 hours, ten times that of a 100-watt bulb, and the adapter/ballast is expected to last 50,000 hours. A new highefficiency phosphor gives Circlite a warm, pleasing color closely matching that of incandescent light.



Imagine a lamp that produces as much light as present incandescent bulbs while consuming only one-third as much energy and lasting four times as long. General Electric research has made this "dream" bulb a reality. Called Electronic Halarc[®], this new energy-efficient family of home lighting products utilizes a miniaturized version of the quartz arc tube developed for General Electric's industrial Multi-Vapor® lamps. The bulb's plastic base, which fits ordinary incandescent sockets, contains sophisticated electronic controls. First of the new lamps, to be marketed in 1981, is intended to replace the 50/100/150-watt incandescent in portable table lamps and other three-way fixtures. Future versions will include replacements for 100-watt bulbs and reflector lamps.







In GE consumer products, innovations that conserve energy and put the 'new electronics' to work

Skyrocketing energy costs create a need. New developments in electronics offer an opportunity. Both are areas of change to which GE is responding with innovations in consumer products that require less energy. Examples illustrated here are supplemented by other developments:

- GE "Energy Saver" range with specially insulated oven uses 25% less energy in baking and roasting than comparable standard ovens.
- High-efficiency GE room air conditioners have larger motors, capacitors and heat exchangers for more effective removal of heat. In addition, the Company is advising customers to buy smaller units, because room air conditioners control humidity only when the compressor is operating and a

conservatively sized unit will operate its compressor more of the time-using less energy than the on-and-off cycling of a larger unit.

The "new electronics" has been spurred by developments in solidstate microelectronics that put complex circuits on a single tiny semiconductor element-in effect, "a computer on a chip." Again, GE technologists are applying these space-age developments to products for the home:

 Microprocessor technology is the secret behind "The Great Awakening[®]," the industry's first multifunctional digital clock radio with a keyboard instead of tuning knobs. Its programmable options include two wake-up times and different radio-station settings for "sleep" and "wake-up."

 Electronic controls add to the versatility of the Versatron countertop oven, a portable appliance that can bake, broil, toast and roast family-size meals while using less energy than a standard-size range oven.

Even after-sale service on consumer products is benefiting from advanced technology. Computer analyses guide spareparts inventories on GE appliance service trucks, so that the needed part is on board 90% of the time. And when it isn't, a nationwide computer network speeds the order to regional Replacement Parts Centers, or, ultimately, to the Parts Distribution Center in New Concord, Ohio, where over 43,000 catalog items are in stock to make sure customers receive parts fast.



Energy-saving TV A solid-state "Energy Conscious" chassis in all 1980 GE 19-inch TV sets uses only about 100 watts of electricity, compared with 143 watts for previous 19-inch models.



For all-season home comfort The Weathertron® heat pump provides efficient all-electric home heating and cooling. With a Climatuff[®] compressor developed by GE, the heat pump delivers two units of heat energy for each unit of electrical energy used.

Low-energy refrigerators

This 17.6-cubic-foot top-freezer GE refrigerator is one of three models designed by the Company specifically for low-cost operation. With urethane foam insulation doubling the insulating efficiency, it uses at least 16% less electricity than standard GE models of the same capacity.



Countertop cooking convenience Family-size meal capacity and a full range of oven functions are available in GE's new Versatron® countertop oven. It has electronic controls, and uses less energy than a standard-size oven for similar cooking jobs.





Hot water "in the bank"

GE's Hot Water Bank heat recovery unit uses rejected heat from central air conditioning system to heat water up to 160 degrees F. The water is stored in the home's hot water heater tank for future use. The unit is available through GE central air conditioning dealers.



For top-quality portable sound

GE's finest-performance FM/AM portable radio of all time, SUPERADIO® has General Electric's best long-range reception, best station selectivity, and best sound quality. It operates either on household current or on 'D' batteries that last for up to 460 hours.



From solar collectors to burglar protection, GE innovations are changing home patterns



Doubling solar collector efficiency

General Electric is working with architects and designers on customized homes that are heated and cooled with the aid of a new type of solar collector. The home above is representative.

In place of conventional flat-plate solar collectors, this home in southwestern Connecticut uses 32 Solartron® vacuumtube solar collectors. The outstanding feature of the Solartron collectors is the thermal absorbing vacuum tube, which consists of one glass cylinder inside another. The outer cylinder serves as a "window" for the sun's rays, and the inner cylinder is coated on its outer surface with a highly efficient selective light-absorbent coating. The space between the two cylinders is evacuated to form a thermos-type bottle that traps the heat. The General Electric collectors are up to twice as efficient as conventional units.

The solar collecting system is mounted at a 35-degree angle on the south side of the roof, and has a net collection area of 475 square feet.

During the cooler months, the home is heated by solar-heated water circulated from a 600-gallon concrete storage tank. For summertime cooling, a three-ton "chiller" unit uses the absorption principle to serve as a heat exchanger, utilizing 190° F water to provide air conditioning.

The Solartron solar collector array illustrated, one of a number of installations now making use of the GE collectors, is designed to provide over 50% of the home's space heating and hot water requirements, as well as meeting most of the air conditioning needs.

Zonar[®] alarm detects intruders

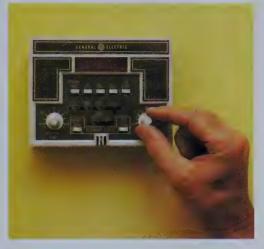
Ultrasonics, an electronic technology used in national defense underwater echo-ranging detection systems, is being utilized in General Electric's new Zonar intrusion alarm for the home.

This portable, low-cost area burglar alarm for homes and apartments is capable of simultaneously monitoring one or more rooms and their points of entry. Powered by an inexpensive nine-volt alkaline battery, Zonar sends out an invisible beam up to 30 feet from the unit to detect intruders either at the point of entry or as they move about in the house or apartment. When the beam is interrupted by someone crossing its path, a piercing 85-decibel alarm is triggered and continues to sound for 4½ minutes.

Unobtrusively styled like a small portable radio and measuring only 4-by-7-by-3 inches, the alarm unit is completely solid-state in construction, with integrated circuits contributing to its compactness.

Zonar can be turned off at any time by pushing a personally programmed three-digit code on the control panel, and a 10-second delay feature makes it possible for the homeowner to enter the room and deactivate the alarm before it sounds. The deactivation code can be reprogrammed with new digits at any time by the owner. A low-battery warning signal indicates when the unit's power supply needs to be replaced.





"Smart" thermostat reduces energy costs In 120 Maryland homes, an unusual experiment is underway involving utilityconsumer cooperation in holding down the costs of electricity.

The experiment centers on a GE development—the HC-1 ^① Home Comfort and Load Management Control, a computerized home thermostat. The way it works is this:

The GE "smart" thermostats installed in the 120 homes can be programmed by the utility to advance or defer each home's electric heating and air conditioning load around the utility's peak load periods, while still maintaining home comfort. During summer peak periods, for example, the set temperature is allowed to increase at a rate specified by the utility, thus holding down the air conditioning peak. And on winter peak days, the set temperature can be lowered, deferring electric heating peaks.

The control can also be programmed to precool or preheat the house prior to peak load hours.

When the peak period is over, the house temperature returns to that set by the homeowner. The GE control also features an Economy Cycle, set by the homeowner, which provides different night and day temperatures automatically.

The system, being pilot-tested in these homes, enables the utility to reduce the extra costs and high investments in extra generation and transmission capacity required solely to meet peak electricity demands.

GE meter delivers readings by wire

If "smart" thermostats can help utilities hold down electrical costs, imagine what can be achieved by a meter that makes its own readings and wires them back to the utility.

It's happening, at seven locations where a new GE system is being field-tested. General Electric's Automatic Meter Reading and Control or AMRAC[®] centralized load management system eliminates the need for monthly trips to each customer's home or place of business to manually read and record power consumption. Instead, AMRAC system's two-way communication capability makes use of the utility's own distribution lines as a medium for transmitting information between the utility and the customer's meter.

Another big cost advantage comes from the AMRAC system's use as a time-of-day meter system. This enables the utility to keep track of how much power is used during peak hours and off-peak hours, permitting the use of rate structures calling for higher prices for



peak-hour consumption and lower relative prices for off-peak usage. The effect is, again, to help level the utility's load, thereby holding down the cost increases that necessitate higher rates for consumers. The system can be used to alert the utility's customers to peak-hour consumption so that they can make use of lower off-peak rates. It can also be used during peak hours to control certain high-use appliances, such as water heaters, so the heaters operate with lower-cost off-peak energy.





The 1979 Information Meeting of General Electric share owners was held October 23 in the Grand Ballroom of Seattle's Olympic Hotel, Chairman Reginald H. Jones presiding. Some 550 share owners from the region attended this first GE share owner meeting in the Pacific Northwest. Nearly 1,500 other share owners were represented by virtue of having turned in question cards, distributed with the July dividend mailing, as the means by which they could submit questions to be answered by General Electric officers at the meeting. at the meeting.



A GE-powered Boeing 747 jetliner flying above the city's skyline symbolizes a special interest for General Electric's Board of Directors in their visit to Seattle. On hand to attend the Information Meeting, the Directors also took the occasion to tour Boeing's nearby Everett plant and conduct a business review that included the Aircraft Engine Group's plans for supplying GE engines for Boeing aircraft, particularly for new Boeing 757 and 767 jetliners now in development. Their tour included a review of a full-scale mockup of the 767. At a dinner meeting in Seattle, the Directors also visited with a number of other GE customers in the Northwest.

Information Meeting report:

GE plans for the 1980s

Meeting at the end of one decade and the beginning of another, share owners attending the 1979 General Electric Information Meeting heard top officers report on "what your Company has done to prepare itself for the 1980s."

GE Chairman Reginald H. Jones began with the current year: "We are quite confident that General Electric will end the year with growth in both sales and earnings that exceeds the growth of the national economy, whether expressed in current dollars or adjusted for inflation." He explained that the GE Annual Report for 1979, to be distributed next March, will follow the recommendations of the Financial Accounting Standards Board and show financial results in both historical-cost and inflation-adjusted terms. "Many other companies will do the same, and it will be interesting — and sobering — to see the impact of inflation on various companies and industries."

Turning to the measures GE management has taken to position General Electric for sustained earnings growth in the 1980s, the Chairman noted that "the most obvious move has been to establish an accelerating momentum in sales and earnings over the past decade. With an assist from inflation, sales have been increased from \$8.5 billion in 1969 to \$19.7 billion in 1978, while earnings have been increased from \$305 million to \$1.2 billion in the same period. Dividends also moved up in that period, from \$1.30 per share to the current rate of \$2.80 per share."

He pointed out also that "we have very substantially increased our customer base and our base of productive facilities as we head into the 1980s. Last year alone we invested \$1.1 billion in new plant and equipment."

Further, he said, management has been successful "in making your invested dollars work harder for you." This success is reflected in two key ratios: "In 1969 — a year when a Company-wide strike cut deeply into our earnings and efficiency — the Company's return on sales was 3.6%. By 1978 we had brought that up to 6.3% — the highest level in the past 25 years. And our return on the share owners' equity amounted to 19.6%, as compared with 11.8% in 1969. That 19.6% return is also a ratio we haven't seen at General Electric for at least 20 years."

These facts indicate, in the Chairman's view, that "your Company has achieved a certain momentum as it heads into the 1980s." But since "the grand totals don't tell everything," he went on to highlight other steps that have been taken to accelerate the Company's momentum.

"Probably the most important move," he said, "was to diversify the Company into new, faster-growing sources of income. We have not only grown our traditional electrical manufacturing lines but have also expanded into raw materials, man-made materials, service businesses, and hightechnology products such as jet engines. And we have internationalized the Company.'

Still another important preparation discussed by the Chairman is that "we have, in a careful, evolutionary way, changed the Company's organization and management system to make this very large enterprise more manageable, more responsible and more profitable. A strategic planning system was established eight years ago and, through constant refinement, has achieved a level of sophistication that has attracted worldwide attention. The Company has been organized into what we call strategic business units — 46 of them at the present time — and these in turn have been organized into six major Sectors."

At the same time, he said, "we have strengthened our system of corporate governance and the role of the Directors who represent you share owners. General Electric has always had a strong outside Board. Well before the present hue and cry about building up the responsibilities of Directors, General Electric's Board had organized itself into working Committees to assure adequate oversight. Today's seven Committees of the Board meet frequently, in addition to the regular full meetings of the Board, and they have established effective lines of communication to be sure that they will have full and timely information on any

significant Company developments. General Electric is fortunate to have such a strong and independent Board of Directors who take their responsibilities seriously."

'A technological renaissance'

GE has prepared itself, he continued, in terms of its scientific and technical skills. "The Company has led all other companies in patentable inventions for as long as the U.S. Patent Office has kept records, and this year we achieved our 50,000th patent. No other company is even close. But we cannot ever become complacent, and so three years ago we instituted a deep, Company-wide study of our technological strengths, weaknesses and opportunities." As a result, "we are experiencing a technological renaissance that promises to give birth to many new products, processes and businesses in the 1980s."

Coming out of the disastrous strike of 1969-70, management determined to build what Chairman Jones characterized as "a more stable and productive relationship with the unions. They too saw the advantages in such a relationship, and the results were evident in the peaceful signing this year of contracts, after very tough bargaining, that are responsive to the needs of employees and share owners. These new relationships provide the Company with a much more stable basis for business planning.'



General Electric's preparations for the next decade, Chairman Jones told share owners at the 1979 Information Meeting, include "bringing along a number of exceptionally promising managers and making sure that they have operating experience in a broad range of the Company's businesses."

He announced that at the end of the year the two Vice Chairmen who have shared the Executive Office with him will be retiring and that three new Vice Chairmen have already been selected to take their place. Shown (left to right): retiring Vice Chairmen W. David Dance and Jack S. Parker: Chairman Jones; and the new Vice Chairmen — John F. Burlingame, Edward E. Hood, Jr., and John F. Welch, Jr.

He noted that "each of the new Vice Chairmen has an outstanding track record as a broad-gauge executive, and in December they will be elected to the Board." Management in depth, and orderly succession, he concluded, are part of General Electric's approach to the '80s.

'A respected voice in Washington'

Another development of the 1970s cited by the Chairman was "the realization that in our highly politicized economy it is important that business participate in the public policy process. So we have been making ourselves heard in Washington, particularly on issues that affect the business and investment communities. And I believe it is fair to say that General Electric's voice is respected in Washington as a voice of reason and progressiveness. We have also been striving for better working relationships with the press and the academic community, recognizing that they are profoundly influential in establishing the climate of opinion and legislation that determines whether a large company can survive and prosper today."

These, plus initiatives taken in marketing, manufacturing and other functions of the business, demonstrate "how we have been preparing ourselves for the new world of the 1980s." However, Chairman Jones added, none of these preparations would be worth very much if GE did not have the resources to take advantage of the business opportunities lying ahead. "And I am pleased to report that, financially, General Electric is in excellent shape. Our cash and marketable securities presently amount to \$2.4 billion—well in excess of our daily working requirements. Our debt-to-total-capital ratio, which was over 30% just four

years ago, has been worked down to a comfortable 20%, and our Triple-A credit rating assures us of plenty of credit if it were needed."

He summed up: "So we are well-positioned financially, managerially and technically to make the 1980s a decade of excitement and growth for General Electric and for those who have invested in this great enterprise."

GE futures in energy, industry, consumer markets

Growth opportunities foreseen for General Electric's energy, industrial and consumer businesses were reported by Vice Chairman W. David Dance:

- With the U.S. using 78 quadrillion BTUs of energy in 1978, the U.S. Department of Energy estimates that even with an aggressive conservation program the nation will need, by the year 2000, a minimum of 110 quads, 30 more than are consumed at present. "Since each new quad installed will require an estimated capital expenditure of \$15-to-\$25 billion, the potential equipment and systems opportunities for GE are large, indeed." To realize this opportunity, General Electric is at work on a broad span of energy technologies, as discussed in the caption below.
- For GE industrial businesses, future growth is centered on productivity "that's what General Electric needs



The energy future was discussed by Vice Chairman Dave Dance. "As world supplies of pumpable fuels decline," he said, "we must inevitably turn to such alternative sources as solar, biomass and synfuels. But in this century — until these can be developed on a commercial scale — we believe the only way out of the OPEC 'oil trap' is greater use of nuclear energy and coal."

An example of how GE nuclear technology is being put to worldwide use is illustrated by Spain's new Cofrentes plant, seen through trees at left. It utilizes Europe's first GE advanced BWR/6 boiling water reactor.

In addition to nuclear, Dance said, GE is "moving ahead in researching advanced, environmentally acceptable ways to utilize coal," including use of clean gas from a coal gasifier to drive a combined-cycle system of gas and steam turbines.

As for renewable energy technology, he pointed out that "GE has the nation's largest industrial solar energy development program for heating, cooling and power generation" and is developing other resources as diverse as the world's largest wind turbine and an experimental kelp farm to learn how to turn seaweed into clean-burning methane gas.

His conclusion: no matter which energy paths the U.S. and other nations finally decide to pursue, GE energy R&D programs assure that the Company will continue to be a leader in building profitable energy businesses.

more of to help offset inflation and rising energy, material and labor costs, and that's what this country must have more of if it is to survive in the highly competitive battle with other nations for expanding world markets." Within the Company, Dance said, significant improvements in productivity have been made in recent years. On the national front the Company has been active in two ways: working with business and government leaders on tax reform legislation and investment incentive programs to encourage greater capital formation; and developing more efficient, more productive industrial equipment.

• Consumers will continue to provide "a rich, growing market for General Electric products and services," he said, because GE economists estimate that, even after taxes and inflation, consumer income in 1990 will be almost 50% higher than it is today. He also made the point that "with the birth rate down, the cost of living up and more women in the work force, today's consumers are quite different from those of the past. They want safe, energyefficient products with unique time- and work-saving features. They want good value for their money, and prompt, courteous service when needed." GE has consumer products and services to meet these changing expectations, he said, and is mounting a new communications campaign on the theme that at GE "we bring good things to life."

Opportunities for high-technology businesses

Vice Chairman Jack S. Parker reported on a spectrum of GE operations for which science and technology provide the "principal engines driving our businesses toward the expanded worldwide opportunities in the 1980s." In addition to the medical systems and electric auto components examples pictured, he reviewed a number of other high-technology GE businesses:

- Aerospace programs that serve "not just the Department of Defense and the National Aeronautics and Space Administration, but also the Department of Transportation and the Department of Energy" contribute broadly to U.S. strategic and tactical defense programs. General Electric is at work on many of the most advanced military systems and satellites, as exemplified by development, for the Marine Corps, of "the first completely solid-state, three-dimensional tactical radar system." Success of this development, Parker said, "led to your Company's winning the Seek Igloo solid-state radar competition for advanced equipment that, in the 1980s, will be on guard at our Alaskan frontier."
- In the civilian arena, he pictured the Aerospace Group as "a world leader in terrestrial application of space technology." As an example, the GE earth resources satellite called Landsat sends back infrared pictures that "provide



Numerous questions about General Electric's role in electric auto development were answered by Vice Chairman Parker. Although GE is not going to get into the automobile business, he said, "we do have a substantial stake in providing controls, components, materials and, perhaps ultimately, even the batteries which would power electric autos."

GE has done a great deal of work on development automobiles. Of two recent projects, the first was to see what could be done to make the most effective electric vehicle using standard, available components. "The result of this project was a car with an in-town range of 45 to 50 miles between battery charges." The second project, the ETV-1 pictured at left, developed with Chrysler Corporation for the U.S. Department of Energy, is an advanced automobile incorporating new technologies. Its urban range was increased to 75 miles, with a constant 40-mph range of 100 miles.

The principal need, Parker made clear, is a breakthrough in batteries. GE's Research and Development Center has had this as one of its high-priority research activities and has made significant progress. "The problem will be solved, but it's not going to be solved in the very near future."

information for locating potential mineral, oil and gas deposits, detecting diseased crops, and charting ocean currents to improve efficiency of tanker operations."

• For Boeing's 757 and 767 aircraft, "we have come up with the avionics of the next decade, which are based on digital electronics technology." Presently available are GE sensors, displays, instruments and computers that reduce crew workload and provide more sensitive and economical control of aircraft.

• For General Electric's Aircraft Engine Group, Vice Chairman Parker foresees "excellent and exciting prospects in the 1980s." Through the next decade, he said, "this Group should have more different types of engines in either development or production than any other manufacturer. Over 60 airlines have now selected GE's CF6 engine to power their twin, trijet and four-engine widebody aircraft. In the 1980s, a major share of commercial wide-body transports will be powered by General Electric engines." He sees today's trends in aircraft technology favoring the GE CF6 family of engines because of their high efficiency and low fuel consumption.

• As for military aircraft, "we anticipate greater emphasis on large transport aircraft to deploy troops and equipment rapidly; large airborne tankers; broadened and diversified use of helicopters; and lower-cost, high-performance tactical aircraft" — all markets that GE serves.

• GE's exports, Parker commented, are dominated by high-technology products. He foresees that 1979 export sales "will break all previous records."

Answering share owner questions

Responding to written questions either mailed in or submitted by the audience, the three top GE officers covered a wide range of subjects, as indicated by these examples:

What's ahead for the U.S. economy? "Our economists are still of the opinion that we will have a slowdown in the economy," Chairman Jones reported. "The slowdown started in the second quarter. The third quarter is somewhat of an aberration or a 'sport' occasioned by the fact that inventories were drawn down, causing a spurt in the gross national product. We fully expect the GNP to fall somewhat in this fourth quarter and to continue its decline in the early months of 1980. Our economists do say that we'll see this decline in the second half of 1980, and that there will be some relief on the inflation front as a result of the lower activity in the business sector."

On the subject of the recent revision of monetary policy by the Federal Reserve System, amounting to a shift in emphasis from interest rates to bank reserves, the



Discussing General Electric's medical systems business, Vice Chairman Jack Parker commented on the fact that the Company "has long been a leader in medical x-ray technology and is now broadening into nuclear imaging, computed tomography and ultrasound.

The computed tomography (CT) wholebody scanner allows doctors to examine a cross-section of the human body in a way that often makes it possible to avoid unnecessary surgical diagnostic procedures, Parker said. "It's like examining a slice of bread without cutting the loaf."

General Electric is the recognized industry leader in computed tomography equipment, he pointed out, with export orders accounting for a good share of the total business. The current drive to increase international sales of GE medical systems is illustrated at left by a General Electric CT scanner being loaded aboard a cargo plane for overseas shipment.

And research into new areas of medical technology continues in the Company, Parker added. "Now, with our experimental ultrasonic imager, our scientists are trying to do similar things with sound to what computed tomography does with x-rays. Ultimately, such a system could be a powerful tool in the detection of heart disease."

Chairman commented that "I have yet to meet a businessman who is not totally supportive of this new policy. Yes, it is going to mean a contraction in economic activity. These very high interest rates will cause a dropoff in purchasing and in new investment by business. But we can't reduce present high rates of inflation without some pain. A reduction in business activity will be necessary before we can turn this inflationary spiral around and break this inflationary psychology. I hope we all have the self-discipline, the restraint, the national will and the good judgment to stay with this course long enough to break the inflation cycle and get it back to more reasonable levels, because inflation will destroy our economy."

Recent losses of three top managers were discussed by the Chairman: "This was the year in which General Electric made significant changes in its top management. With two Vice Chairmen retiring at the end of the year, we have elected three new Vice Chairmen to succeed them. We had seven or eight very strong contenders for those three positions, and in that sense your Company was blessed. We've had a long history of having a very fine recruiting operation in General Electric as well as a very fine management manpower development program. Your Company is very fortunate that it could pick and choose among seven or

eight eminently qualified people for three that it wished to have in these key assignments.'

Noting that the Board of Directors had chosen and promoted the three whom it considered the best qualified, the Chairman added that those who are leaving "are still extraordinarily capable people" who have been offered "these very significant positions in American industry and have accepted them."

The Chairman's recommendation to the share owner audience was that rather than viewing this development with concern, "I think you should view it with confidence — that we had a reservoir of talent of such depth and magnitude that we could pick and choose those whom we wanted for these key roles, and that those others were still so attractive that they were, in effect, taken away from us by incentives greater than we could match. I wouldn't be concerned. You're going to be pleased with this next management team."

Plans for the Power Systems business? Vice Chairman Dance observed that the decline in the U.S. growth rate for electrical consumption from its historic 7% level to less than 4% this year had required General Electric "to take a complete new look at our Power Systems business." He pointed out that only 8% of total GE earnings today



The status of the proposed merger of the Cox Broadcasting Corporation with GE's radio, TV and cable-TV businesses was reviewed by Vice Chairman Dance. He explained that the merger has been approved by Cox share owners and is awaiting requisite governmental approvals, primarily from the Federal Communications Commission.

"In the meantime, we've signed contracts for the disposition of the three television and eight radio stations that will have to be disposed of in order to comply with FCC multiple-ownership rules." Further, to help achieve FCC objectives of diversifying ownership and giving preferential treatment to local and minority interests, 75% of the buyers of these stations are new entrants to broadcasting, 75% have minority representation, with more than half minority-controlled, and 50% are local buyers acquiring stations in their home communities. The example pictured: Cicero M. Green, Jr., Vice **President and Treasurer of North Carolina** Mutual Life Insurance Company, the prospective purchaser of WNGE-TV Nashville (left), with A. Donovan Faust, President -GE Broadcasting Co. The station will become the first black-controlled VHF station in the South.

In addition, GE is establishing an assistance foundation to provide education and training for minorities seeking to enter the broadcasting field.

come from this Sector but that the Company continues to look to the business to maintain profitable growth despite slower markets.

One step that has been taken, he said, is a change in direction for the gas turbine business. In its period of growth several years ago, "75% to 80% of our gas turbine business was in the U.S., either for the industrial or the utility market. Today, 75% to 80% of that business is offshore, and profitable."

Other measures to participate in faster-growing markets abroad include increased licensing arrangements and joint ventures. An example is Taiwan, where General Electric and Taiwan Power Company are the major participants in a joint venture that has already won steam turbine-generator orders. "We're looking for other opportunities to form joint ventures like this, to broaden General Electric's export markets.'

The Power Systems Sector is also developing its service businesses, as exemplified by the installation and service engineering business, which is growing offshore as well as

The result of these and other measures is that, "despite the slowdown in sales. General Electric should have record earnings in this Sector this year, and we think that over the next five years the Company should continue to grow the

power systems business profitably."

How well do GE aircraft engines compete? Vice Chairman Parker answered that they compare very favorably with competitive engines. "Statistics indicate that we have a couple of important edges, particularly in specific fuel consumption. This might not have been so important a few years ago when fuel costs represented less than 8% of the operating costs of an airplane. Today they represent a third. So fuel consumption is becoming increasingly important to the airlines.'

Moreover, he said, General Electric engines do well in terms of reliability — "and this again is, statistically, the story that comes from the airlines, not from us." Comparisons of such measures as premature removal rates have shown GE engines performing well compared to those of the competition — "and it's up to us to see that they remain that way."

Update on South Africa is the title of a new report published to provide share owners with information about the implementation of the General Electric Statement of Principles in GE business operations in South Africa. For a copy, write Investor Relations, General Electric Company, Fairfield, Ct. 06431.



Responding to share owners' questions about future prospects for GE international business, Vice Chairman Parker commented that "there is every reason to expect that we will have an increasing proportion of total GE revenues and earnings from our offshore sales." This will come, he said, despite intense competition from other international-minded companies and in spite of the fact that U.S. foreign policies have not favored U.S. companies with the advantages that other governments provide their trading companies.

GE success in international markets is indicated by 1979 export orders running substantially higher than the strong 1978 levels. This surge has been led by hightechnology exports, as typified at left by GE gas turbines supplied to Egypt to meet its rapid growth in electrical demand.

The Company is serving the fast-growing markets of the oil-rich nations. "As an example," Parker said, "a \$121-million gas turbine order for Saudi Arabia was the largest single turbine installation order ever received. The Saudis, indeed, became our biggest export customer overall during the past year." He added that "Black Africa has become a very important export market for GE. Nigeria, for example, the number-two source of U.S. oil imports after Saudi Arabia, is our largest single market in Central Africa. Its booming economy has created urgent needs for infrastructure development - railways, electric power, ports and communications.'



Detroit's Renaissance Center

New GE-equipped complex is aptly named



The soaring towers of Renaissance Center (facing page) are both the symbol and stimulus for an economic and social turnaround in Detroit.

In the devastation of the 1967 riots (above), the city seemed destined for a future of urban atrophy. But today, boasts Mayor Coleman A. Young, 'the so-called 'Crime Capital' of the world is leading the nation in the reduction of crime.'



A RenCen engineering supervisor (left) checks a GE switchgear panel in the Detroit Plaza Hotel's main power substation, one of 28 in the complex.

Just a few years ago, in the bleak period following the tragic riots of the summer of 1967, to mention the name Detroit was to evoke an image of urban disaster. With its center city sinking into decline and decay, as shops and businesses shuttered their doors to seek sanctuary in the suburbs, Detroit came to be known as the "Crime Capital of the Nation." Amid deepening despair, unemployment climbed past 22%.

Then a curious thing happened. A group of civic leaders tenaciously refused to give up on their city. They envisioned building a complex of offices and shops, hotel and restaurants, so innovative and so inviting that it would serve as a catalyst — an economic and social focal point for the resurrection of their city, which would rise phoenix-like, literally from

its own ashes. Most remarkably, city planners conceived a plan whereby the \$350million complex would be financed entirely by the private sector, with not one cent of Federal funds. Thus Renaissance Center was born.

Has their faith in a city many had written off as moribund been justified? Consider the evidence:

- \square Since its dedication in 1977, the landmark enterprise has been directly responsible for pumping \$1 billion into the flagging local economy.
- ☐ "RenCen," as Renaissance Center is commonly called, has attracted dozens of new businesses and provided 9,000 jobs, while generating nearly \$5 million a year in additional tax revenues for the city.
- ☐ It has drawn record levels of conventions and attractions to Detroit, including the upcoming 1980 Republican Convention and the 1982 Super Bowl game; tourism has become a \$100-million-a-year industry for the city.
- ☐ The Center has sparked many new downtown construction projects and increased the value of existing centercity property.



Part of the all-GE electrical distribution system, a motor control center is located in each tower and the hotel.





The eight-story lobby atrium (left) reflects John Portman's "open" style of architecture. Says Portman: "You don't get people back to the central city by telling them they have an obligation to support it. You get them back by putting something enjoyable there to attract them." Summer weekend ethnic festivals. like the Greek festival shown above, attracted thousands.

☐ Among the intangible "rippleeffect" benefits are a brighter economic and employment climate, and a more positive image overall of Detroit as a place in which to live, work and invest.

The most conspicuous facet of the RenCen story is the architecture: it's an eyeful. Rising from the banks of the Detroit River just across from Windsor, Ontario, the future-world city comprises a 73-story glasssheathed cylindrical hotel, claimed to be the world's tallest, and four octagonal 39-story towers containing a total of 2.2 million square feet of office space. Beneath it all weaves a labyrinth harboring 100 retail shops and restaurants, ranging from fast-food eateries to prestigious jewelry stores.

Centerpiece of the complex is a dazzling eight-story lobby atrium crisscrossed by five levels of aerial walkways interconnecting shops and office towers. Housed within the atrium are a half-acre lake, a threestory waterfall, two acres of skylight, and thousands of plants and trees —

hanging and suspended.

If it can be said that steel and concrete make up the skeleton and muscles of the RenCen complex, then it is electrical power that constitutes its heart and circulatory system. Here is where General Electric makes its critical contribution, for without the GE electrical distribution system, devised and installed by the Apparatus Distribution Sales Division, nothing would work: none of the 91 high-speed elevators serving 1,400 hotel guest rooms and hundreds of offices, no escalators linking lobbies and shops, no ever-changing panoramic view from the world's largest rooftop revolving restaurant, no heating, no cooling.

The 100% GE electrical package is of a scale to match the project. Fifteen thousand volts of power flow into substations at the base of each of the four office towers and the hotel enough total electricity to service a city of 20,000. From here, GE transformers and switchgear break the block of power up into usable chunks and feed them, via GE metalclad busways, up each tower. On every fifth floor, lighting panel boards tap the power as needed and, in separate installations, motor control centers direct energy to such heavy machinery as elevators, fans and compressors.

It all adds up to an impressive range of GE equipment — 742 power and lighting panels, 24 motor control centers, three 3,500-horsepower high-voltage induction motors, 131 transformers, 4,000 feet of power bus, and 30,000 circuit breakers — an electrical shopping list befitting the giant it serves.

Dramatic as is the physical face of RenCen, it is no more impressive than the tale of how the complex came to be. When city fathers first selected a site on which to build, it seemed an unlikely choice: a down-atthe-heels riverfront spread of abandoned warehouses, unpaved parking lots, a dilapidated flour mill, and a little-used railroad yard. But this site, one-third larger than New York's Rockefeller Center, had one thing in its favor: it was cheap, less than \$10

per square foot.

To implement one of the most ambitious urban development programs ever, Henry Ford II, Chairman of the Board of the Ford Motor Company, put together a 51-member partnership. It was the largest private investment group ever assembled in the U.S. for real estate development and, among themselves, the partners raised the equity investment of \$114 million. Next, a consortium of 28 banks was formed to back the \$200million construction loan, believed to be the largest yet made for such a project. It all took five months. In November 1972, site clearance began, and the first office tower opened on July 1, 1976.

For any city considering ways to reverse urban rot, the Detroit experience has two fundamental lessons to

☐ Backers of the RenCen project, while undeniably civic-minded, are, above all, businessmen and financiers who expect a reasonable return on their investment; RenCen is a business, not a charitable, undertaking. ☐ For such a plan to succeed, an uncommon degree of cooperation

among seemingly disparate groups is a necessity — a coalition of private investors, public officials and labor leaders. Among other efforts in the case of RenCen, the legislature made technical changes in state laws. Detroit's mayor expedited project permits, and local construction unions pledged no labor disruptions.

More eloquent than any oratory proclaiming the success of RenCen was the recent start of construction on two new towers, part of a \$70million expansion. This testament to investor confidence in the city's future is a joint venture with Rockefeller Center, Inc. of New York, which will design, finance and build the addition.

Perhaps the definitive judgment of the accomplishments of RenCen came when it was first announced that Rockefeller Center would participate in the expansion. "When astute businessmen from outside the city come to share the optimism of the informed Detroiter," said Mr. Ford, "the rebirth of our city is underway."

Detroit center promotes GE materials



If a symbol is needed for GE's commitment to serving Detroit's dominant industry, it can be found at the GE Automotive Materials Center in Southfield, Mich., less than 30 minutes away from the Center's principal customers.

Here is a GE facility whose sole reason for being is to offer a spot where auto planners and designers prove to themselves how GE's variety of engineered materials can solve problems

"At our center," explains Charles R. Carson, Senior Vice President and Group Executive, Engineered Materials Group, "we demonstrate to auto makers that GE engineering plastics can do the job of metal or glass while sharply reducing weight and, thus, increasing a car's fuel efficiencies. A headlamp of Lexan® resin, for example, is tougher than glass yet weighs only a third as much.'

It's the same with other GE materials, Carson adds. "We're expanding the Detroit center so that it will be more effective in demonstrating GE laminates, batteries, silicones, Man-Made[®] industrial diamonds, and tungsten-carbide metal-cutting materials." The Detroit center is one of seven GE centers that carry GE materials technologies to customers in Europe, Japan and Australia as well as the U.S.



For Utah International, a 'bright outlook'

At financial analysts meeting, officers of GE's natural resources affiliate report on the challenges of the mining business and emphasize the prospects for earnings growth.

General Electric's October 3 meeting with financial community representatives in New York was devoted to an in-depth review of the operations of Utah International Inc., the Company's wholly owned mining affiliate.

The meeting began with a concise profile of Utah International, presented by John L. Ingersoll, manager of GE's Corporate Institutional Relations:

"Founded in 1900 as the Utah Construction Company, Utah began as a heavy construction engineering company, and later became the leading railroad contractor in the Far West. In the 1930s and early 1940s, it was a major partner in joint ventures that built such structures as Hoover, Bonneville and Grand Coulee Dams."

In the years following World War II, he added, Utah diversified its operations and entered the mining field with contract coal mining operations in Pennsylvania and an iron ore mine in Utah. "Today," he said, "Utah has established itself in the forefront of international mining activities."

The result is that "Utah International now is far removed from the Utah Construction Company of early days. The hand tools, mule-drawn wagons and coal-powered locomotives have been replaced by massive draglines, fleets of haul trucks and huge ocean vessels. But continuing from the past are the

The busy world of Utah International, as interpreted by artist Jerry Pinkney, includes, clockwise from upper right, iron ore mining, copper, ocean shipping and coal, plus the operations of wholly owned affiliates, including uranium mining by Pathfinder Mines Corporation and, in the center, oil and gas production by Ladd Petroleum Corporation.

company's efforts to identify worldwide economic needs – currently in terms of mineral deposits – and to mobilize capital, and technical, marketing and management skills to satisfy those needs. Utah's heritage continues to be a source of strength."

As a business enterprise, he concluded, "Utah's performance indeed has been remarkable. In 1958, Utah's net income was less than \$5 million. In the last ten years, earnings have increased at an average annual rate of over 25% and exceeded \$180 million in 1978."

What lies ahead for Utah? The affiliate's own managers provided their answers in a series of addresses in which the problems and challenges facing the company were acknowledged but were clearly seen as overbalanced by the great opportunities ahead and by Utah's strengths in capitalizing on them.

Alexander M. "Bud" Wilson, Chairman of the Board and Chief Executive Officer, gave first attention to the bottom line:

"Last year our revenues, principally from mining, were a little over \$1 billion, and we earned \$180 million, down from our record year's performance in 1977 of \$197 million. Australian tax increases and strikes finally produced a down year at Utah, after 13 consecutive years of improved earnings. But 1979, we believe, will produce a new high in Utah earnings." He went on to say he also expects "1980 to establish another new high for Utah's earnings."

Looking beyond these favorable shortterm prospects, Wilson emphasized that, on a long-term basis, he and his associates are optimistic about Utah's prospects – an optimism rooted in the fact that Utah is among the lower-cost producers of resources that the nations of the world need now, and will need increasingly as their economies strengthen.

The challenges – competitive, political, regulatory, economic, techno-

logical – that face Utah operations are "awesome," the affiliate's senior officers agree. Nevertheless, Bud Wilson told the analysts, "over the longer term we will continue to outperform the average mining companies because we have proven abilities in the five key activities required for long-term success."

As the first of these, he said, "we know how to determine what to look for – to target good mineral and energy prospects in world trade."

Second: "We know how to find what we're looking for with aggressive grassroots exploration programs."

Third: "Utah's reputation and past conduct provide us with the vital ingredients for successful negotiation of international business agreements in perhaps the toughest of all arenas – resource development."

Fourth: "We certainly have established the abilities to develop and produce, from infrastructure through processing."

And fifth: "We know how to move our products to market – to sell and deliver our products to reliable customers who have dependable long-term product requirements."

Newsworthy highlights were included in the series of presentations that covered all main aspects of Utah's operations:

Copper's 'excellent year': Utah's wholly owned Island Copper Mine on Canada's Vancouver Island, one of eight operations of Utah's Mining Division described by Charles K. McArthur, Senior Vice President and the Division's Manager, is experiencing "good production and very strong metal prices." While copper is the mine's main output, totaling some 55,000 tons per year in the form of copper concentrate, one-third of present revenues comes from by-product metals, including gold, silver, molybdenum and rhenium, a relatively rare element used in the production of no-lead and low-lead gasolines.



Alexander M. Wilson (left), Utah International's Board Chairman and Chief Executive Officer, talks with quest at financial analysts meeting.

Utah-GE tungsten mine: Plans are going forward to operate, by 1982, the Springer Mine, which will produce 1.6 million pounds of tungsten per year - a significant portion of the requirements of GE's lamp business. The mine is an inhouse Utah-GE Lighting Group joint venture, with Utah having responsibility for the facility's operation.

The Samarco iron ore mine in Brazil faces brighter prospects, McArthur commented, as "recent improvements in the world steel-making industry have encouraged buyers to take the bulk of their commitments - something they were not doing - thus greatly increasing sales volume. Preliminary discussions regarding 1980 deliveries are favorable, and there is considerable demand for our pellets for use in direct reduction plants. ... We are counting on Samarco to produce good profits in the years ahead."

Steam coal, used primarily to fuel electric generating plants, is mined by Utah in the Western U.S. Most of this coal is delivered under contract to electric utilities. Present reserves of steam coal put Utah in a good position "to take advantage of the opportunity presented by the probable growth in Western coal demand."

Coking-coal operations conducted by wholly owned Utah Development Company (UDC) in Australia were discussed by Keith G. Wallace, Senior Vice President and Manager of Utah's Australasia Division. UDC activities are receiving special attention in order to strengthen the company's acceptance by the Australian public. Australian equity participation in UDC has been increased. Management of the Australasia Division and of UDC is being moved from San Francisco to Sydney.

On the business side, UDC has been successfully diversifying its markets to reduce its heavy dependence on the Japanese steel industry. The company is, as an example, supplying nearly 20% of Western Europe's seaborne cokingcoal imports and is increasing its sales to developing countries such as Korea, Taiwan and Brazil.

UDC's ability to serve these markets is strengthened, Wallace explained, by the addition of the Norwich Park Mine, which will begin shipments before the end of 1979. This will bring total annual production capacity to approximately 22 million metric tons.

In addition to its coking-coal activities, UDC has significant interests in open-pit iron ore mines at Mt. Goldsworthy in Western Australia. When present Goldsworthy ore reserves run out, Wallace explained, UDC has an additional mining area there that is "the front runner among new Australian iron ore projects," in large part because the infrastructure for mining and transporting the ore is already in place.

Exploration activities of Utah were summarized by Ralph J. Long, Senior Vice President and Manager, Mineral Exploration and Development Division. "To Utah," he said, "exploration fulfills the same function that research and development does for other Sectors of General Electric. If Utah is to prosper, it is essential that we acquire new mineral assets to replace resources we are currently depleting."

Long told the analysts that Utah conducts exploration activities on a scale to assure its future. "Utah has exploration offices throughout the world. They are staffed by some 120 geologists and geophysicists." Exploration activities have been stepped up sevenfold over the past ten years.

Ladd Petroleum Corporation, wholly owned by Utah, is primarily dedicated to building proven reserves of natural gas and crude oil, reported John H. Moore, Ladd's President. The corporation currently owns interests in 4,250 producing wells in the U.S. and three Canadian provinces. Exploration and development activities will reach an alltime high in 1979 with participation in the drilling of over 200 new wells.

Ladd and Canadian General Electric are conducting what is proving to be a highly successful joint exploration

venture in Canada, combining CGE financing with Ladd know-how: "To date, 11 out of the 14 exploratory wells drilled in the 50/50 venture appear to be successful."

In the U.S., Ladd is "actively participating in exploration programs in eight geological basins" and "1979 will be one of the most successful exploration years in Ladd's history," with a success ratio of about 47% compared to an industry average of 25%.

Overall, Ladd has doubled its sales in the past four years, and has grown net income at a compound rate of 14% per year during this period and 21% during the past two years.

Uranium mining operations by wholly owned but nonconsolidated Pathfinder Mines Corporation were reported in the presentation by James T. Curry, Utah's Financial Vice President and Treasurer. Pathfinder, all of whose common stock is held by independent trustees, pays to Utah annual dividends essentially equal to its reported profits. In 1979 and '80, Pathfinder's profitability will suffer because of requirements to deliver uranium concentrates under contracts entered into in the early 1970s at the lower prices then prevailing. The corporation looks to a return to higher profit contributions by 1981.

Curry also described the staff activities in place to support Utah's operations: "While our individual operations have a great deal of autonomy, we have attempted to install a centralized team, expert in matters ranging from engineering to environmental quality, from personnel to purchasing, and from metallurgy to marketing, all to support our operations as required."

The summation of Utah International left with New York analysts was of a business strengthened by, in Jim Curry's words, "unique circumstances that have contributed and should continue to contribute to Utah's financial well-being and to its bright outlook." He added: "It is our challenge to continue our growth by seeking these high-stake, high-reward opportunities while keeping the risks at manageable levels. In my opinion, Utah can be successful in this effort to the benefit of General Electric and its share owners."



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Tenth Anniversary Issue

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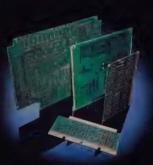
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Financial highlights

(Dollar amounts in n	nillions; per-share amounts in dollars)	1979	1978	Percent increase (decrease)
For the year	Sales of products and services			
	to customers	\$22,461	\$19,654	14%
	Other income	519	419	24
	Total revenues Net earnings applicable	22,980	20,073	14
	to common stock	1,409	1,230	15
At year end	Total capital invested	\$ 9,332	\$ 8,692	7%
akenter.	Share owners' equity	7,362	6,587	12
	Short- and long-term borrowings	1,818	1,954	(7)
Per share	Net earnings	\$ 6.20	\$ 5.39	15%
	Dividends declared	2.75	2.50	10
	Share owners' equity — year end	32.31	28.88	12
Measurements	Operating margin as a percentage			
	of sales	9.5%	10.0%	
	Effective income tax rate	39.9	41.5	
	Earnings as a percentage of sales Percent earned on average total	6.3	6.3	
	capital invested	17.6	16.3	
	Percent earned on average share owners' equity	20.2	19.6	
	Borrowings as a percentage of total capital invested	19.5	22.5	

The Chairman comments

'The General Electric that enters the decade of the 1980s is sharply different from the Company that went into the 1970s. Today we derive some 53% of our earnings not from traditional electrical equipment businesses but from materials, natural resources, services, and transportation equipment, compared with only 20% in 1968, and international operations now contribute about 37% of earnings, compared with 16% back then. The new General Electric for the '80s thus has a far more diverse earnings base, is more international in outlook, and is less vulnerable to U.S. economic cycles.'



GE team at the top includes Chairman Reginald H. Jones (standing), with new Vice Chairmen John F. Burlingame (left), Edward E. Hood, Jr., and John F. Welch, Jr.

General Electric's performance in 1979 closed out a decade of profitable growth in your interest as share owners.

Sales of \$22.5 billion were up 14% from the 1978 level and contrasted with the \$8.5 billion realized a decade earlier.

Earnings of \$1.4 billion were 15% above the 1978 total. Earnings gains for the ten-year period outran the increase in sales, growing from a strike-depressed \$1.41 per share in 1969 to \$6.20 per share in 1979.

Another traditional measure of how you as share owners have benefited from this decade of successful performance is reflected in your dividends. For the fourth consecutive year, your Directors in 1979 increased the dividend, bringing the year's total to \$2.75 per share — more than double the \$1.30 declared a decade ago.

But these financial results are based on traditional accounting methods which fail to reflect the extent to which U.S. industry and the public generally have been hurt and deluded by the ravages of inflation which distort reported financial results. That is why these comments conclude with a discussion of the inflation issue, and why we have made inflation the theme of this Annual Report.

For the '80s, a new GE: Over the past decade, your management's ventures into new areas of growth have improved General Electric's ability to cope with the effects of inflation and have greatly diversified and strengthened the Company's earnings base. Back in the pre-strike year of 1968, our traditional electrical equipment businesses accounted for some 80% of earnings. In 1979, they provided about 47%. That is still a substantial figure, but the dramatic change it represents comes from a combination of strategic pruning of certain businesses and the spectacular growth of other businesses:

- · Materials including chemical and metallurgical products as well as the natural resources added by our mining affiliate, Utah International Inc. --- provided 27% of earnings in 1979, compared with 6% in 1968.
- Services businesses including financial, information, broadcasting, installation, maintenance and repair services moved up from 10% in 1968 to 16% of 1979 earnings.
- Transportation equipment, mostly aircraft engines and locomotives, rose to 10% of earnings in 1979, compared with 4% in 1968.
- · And total international operations, most of which are included in the percentages above, provided only 16% of our earnings in 1968 compared with 37% in 1979. U.S. export sales, alone, rose from \$400 million to nearly \$2.8 billion in 1979.

These general comparisons reflect the new General Electric that your management developed in the 1970s a General Electric far larger, more diverse, more profitable, more international in outlook and less vulnerable to U.S. economic cycles than that which entered the decade.

The outlook for the first half of 1980 reflects reduced levels of economic activity, but GE economists do not foresee a contraction as severe as in 1974-75. They expect a gradual economic upturn beginning in the later months of 1980, but no lessening of inflation for the year.

As indicated by the operating reviews that follow in this Annual Report, some of our businesses will be affected by the reduction in economic activity, but our strengths in businesses that are relatively unaffected by the cycles should help us offset these negative factors.

General Electric has other great strengths as it enters this new year and new decade:

- A new top management team has been put in place, providing for an orderly transition to young but broadly experienced leadership. With the retirement of two truly outstanding contributors to your Company's progress, Vice Chairmen Dave Dance and Jack Parker, three new Vice Chairmen have been elected and have joined your Board of Directors. In addition, our depth of management has provided fresh managerial talent to head five of our six Sectors and to fill other key positions, rounding out the team who will lead your Company into this new decade.
- This team will have the significant advantage of a timetested strategic planning system that really works. When it began, in the early 1970s, our system was an experimental idea. But it has become a way of life for us at GE, enabling us to identify those businesses with the greatest potential for earnings growth and to allocate to them the resources needed for their full development.
- We enter 1980 with substantial backlogs of unfilled orders, expanded by a strong inflow of export orders.
- The new contracts negotiated with unions in mid-1979 give us a peaceful start on three years of productive relationships with GE employees.
- With cash and marketable securities amounting to \$2.6 billion, plus a triple-A credit rating, we believe we have the financial strengths to see us through the economic downturn and to finance a new wave of growth and investment opportunities worldwide.
- Our 1979 plant and equipment expenditures of \$1.3 billion top off a decade in which we invested \$7.9 billion to provide an expanded, modernized production base.
- And, perhaps most critical of all to the future, we have the momentum of research and development programs that totaled \$1.4 billion in 1979, producing a veritable technological renaissance for the Company.

These strengths should enable General Electric to sustain its identity as a growth company, with long-term growth rates well ahead of those of the U.S. economy.

The impact of inflation: Of the challenges facing the U.S. economy, none is more serious than the present double-digit inflation. As indicated by this Report's cover, severe inflation distorts the financial reporting of business, giving the illusion of soaring profits when, in fact, real profits —

profits stripped of their inflationary increments — have failed to keep pace with the rising costs of replacing buildings, machinery and equipment, maintaining inventories, and supporting research and development. This reduction in real corporate retained earnings has weakened capital investment, with resulting lowered levels of productivity and international competitiveness.

It is a situation that calls for sharp changes in national direction. Believing that the first step toward this goal is greater public understanding of inflation's impact on the vital process of capital formation, your management welcomes the initiative taken in 1979 by the Financial Accounting Standards Board (FASB). Under FASB leadership, some 1,200 U.S. companies will include, in their 1979 annual reports, inflation-adjusted supplementary data that will show how inflation escalates reported sales and earnings, causes shortfalls in depreciation provisions, and boosts effective tax rates to counterproductive levels.

Our GE supplementary data are on pages 28-30. Because we have long used LIFO (last-in, first-out) accounting for domestic inventories, GE has minimized the "phantom" inventory profits that result from FIFO (first-in, first-out) accounting. However, the Company is seriously affected by the higher effective tax rates that result from underdepreciation in inflationary times.

You will note from our supplementary data that, after pre-tax earnings are adjusted for the impact of inflation and then reduced by taxes and dividends, your Company retained for reinvestment and growth only 16% of pre-tax earnings over the 1975-79 period. The comparable amount for all U.S. nonfinancial corporations was even lower, at 10%. This somewhat more favorable situation for your Company provides little satisfaction, however, when we see how our inflation-adjusted data scale down our sales and earnings and show that our reported depreciation expenses understate our real capital recovery needs by some \$356 million in 1979 alone.

Industrywide data generated by this FASB initiative will underscore the case for restructuring U.S. corporate income tax provisions and policies so as to mitigate the impact of inflation on the capital formation process. The results of the more realistic capital recovery allowances and other remedial measures that businessmen are advocating to our legislators will benefit not only industry but the nation as a whole. By strengthening the flow of investments that enhance industry's productivity, they will strike at one of inflation's primary causes and will thus help give this country a more stable foundation for its economic and social progress in the 1980s.

Regueld A Jones

Chairman of the Board and Chief Executive Officer

Consumer Products and Services: improved results despite cost-price squeeze

(In millions)	1979	1978	1977	1976	1975
Revenues*	\$5,448	\$4,865	\$4,215	\$3,510	\$3,059
Net earnings*	401	377	323	261	164
*Includes net earn General Electric C Corporation		77	67	57	50

The diverse ways in which General Electric serves consumers, illustrated here, include (top) major appliances for energy-efficient kitchens; (below) new Circlite[®] fluorescent lamps; and a dual role in TV, including manufacture of receivers and operation of TV stations.







Other aspects of GE consumer products and services include (top) a variety of electric housewares and audio products, such as the new Versatron® countertop oven with electronic controls; and (below) the varied financial services of GE Credit Corporation.





The Consumer Products and Services Sector in 1979 increased revenues by 12% although the rate of increase slackened somewhat toward the end of the year. Net earnings were up 6% despite the continuing cost-price squeeze resulting from extreme cost inflation. These amounts include the net earnings of General Electric Credit Corporation (GECC), which showed a 17% gain for the year. The Sector accounted for 23% of GE revenues and 28% of earnings, with GECC contributing 6% to the earnings total.

Major appliance businesses, serving retail and builder markets with a complete line of GE® and Hotpoint® kitchen and laundry equipment, outperformed the industry in 1979. In the face of slowing markets and competitive pressures that prevented full recovery of cost inflation through price increases—adverse conditions that forced a new wave of consolidations in the industry—the earnings by these GE operations were somewhat lower on increased sales. The effects of the cost-price squeeze were partly offset by major productivity programs initiated in 1978. Also, GE continues to benefit from its innovative responses to consumers' changing wants and needs.

Consumers wishing to conserve energy, as an example, find General Electric appliances offering higher energy efficiencies and reduced life-cycle costs. Other investments in technology are readying for the early 1980s a variety of GE and Hotpoint appliances incorporating advanced electronics to meet consumers' needs for improved convenience, performance and reliability.

During 1979, the Company improved the national parts distribution system and retail parts sales operation in its after-sale service network. The network is supplemented by thousands of independent service organizations trained and franchised by General Electric. The Company also increased its emphasis on GE service contract offerings to provide consumers increased protection against unexpected maintenance costs.

Air conditioning products reported somewhat higher sales in 1979 despite markets weakened by cool weather. Continued growth, exceeding that of the industry, reflected gains in both domestic and international markets. Earnings were off somewhat as a result of escalating costs. The heat pump, where GE has leadership, represents a timely solution to the worsening energy cost problem.

GE lighting businesses achieved another strong year of earnings growth on good sales increases.

Some lamp lines, particularly photo lamps and miniature lamps for automotive applications, felt the effects of the economic slowdown. But these weaknesses were more than offset by continued growth in such lines as the Watt-Miser® fluorescent lamp family, Bright Stik® selfballasted fluorescent units and Lucalox® lamps.

Marking the centennial celebration of Edison's invention of the first practical incandescent lamp, GE lighting businesses continued to emphasize innovations. These businesses have, as an example, contributed to national energy-conservation efforts with their high-efficiency, high-intensity discharge lamps that make it worthwhile to replace old lighting systems with new lamps that save energy and reduce energy costs.

For the automotive market, the Company introduced a Lexan® polymer version of the new halogen headlamps, which weigh only one-third as much as all-glass lamps.

Other new products include Circlite[®], a circular fluorescent light for table lamps and other incandescent replacement applications; and blacklight and decorator versions of the Bright Stik[®] unit.

An important 1979 innovation with long-term significance was the announcement of the electronic Halarc[®] lamp, the first high-intensity discharge lamp for home lighting. The Halarc lamp is scheduled to be marketed in 1981 as the first of a family of long-life lamps that use only one-third as much electricity to generate the same amount of light as the incandescent bulbs they replace.

Housewares and audio products increased sales somewhat, but earnings were lower because of the inflationary cost pressures in this highly competitive industry.

In a business where constant innovation is essential to success, General Electric maintained its flow of new products and features. A new line of Light 'n Easy® irons reduce weight to make ironing less tiring. The Great Awakening® digital electronic AM/FM model introduces microprocessor technology into clock radios. And the Versatron® countertop oven offers family-size capacity, electronic controls and easy-clean removable panels.

Television receiver operations achieved good sales and earnings gains in 1979. Significantly higher private-label volume and increased retail sales of GE color TV sets, video tape recorders and Widescreen 1000 Home Television Theater sets contributed to the gains.

Innovations included a TV remote control system that allows viewers to program up to 20 channels for instant station selection, and a programmable video cassette recorder that, for each weekly period, permits recording of as many as five different programs at different times on different channels. A chassis using 20% less energy makes GE 19-inch color sets more energy-efficient.

Broadcasting and cablevision reported earnings well ahead of the prior year on good sales increases. GE currently operates three VHF television stations and three AM and five FM radio stations. In cablevision, GE now operates 13 systems.

The Company is working to obtain approval from governmental authorities to combine the broadcasting and

cablevision operations of General Electric and the Cox Broadcasting Corporation. After required disposition of certain stations, this new GE operation would include five television stations and six AM and seven FM radio stations, plus cablevision operations.

General Electric Credit Corporation (GECC) earned \$90 million in 1979, representing a strong 17% improvement over 1978 results, as higher income on an increased portfolio of receivables more than offset higher interest expense. Total receivables in this wholly owned nonconsolidated finance affiliate were more than \$7.7 billion at the close of 1979, reflecting growth of nearly \$1.4 billion for the year, distributed almost evenly between GECC's Consumer and its Commercial and Industrial financing business segments. (See page 39 for GECC condensed financial statements.)

Broad participation in high-growth energy-related industries contributed significantly to Commercial and Industrial business receivables' gains of 19%, while gains of 24% in the Consumer segment reflected expanded participation in home equity financing and the impact of business development activity.

New programs included purchase of a financial services operation in Hawaii, entry into the leasing of imported automobiles, and introduction of a consumer Major Purchase Card® for acquiring furniture and appliances. Additionally, the Credit Corporation took an important step in international expansion with successful negotiation of a joint-venture agreement with Toshiba Credit Corporation to provide consumer financing service in Japan.

Another important element of the Credit Corporation's 1979 performance was expanded participation in the operating lease business. As a result of strong railroad rolling stock and auto leasing activities, GECC participation in this high-growth activity more than tripled during 1979.

The outlook reflects several factors that should combine to produce good consumer markets in the 1980s, such as growth both in family formations and in the young-adult age group that constitutes the most active purchasers of appliances, housewares and TV sets. In addition, the large replacement markets for these products offer opportunities to businesses that can meet consumers' desires for innovative, energy-efficient, high-quality products.

While the short-term outlook is mixed, the Sector expects to capitalize on the growth opportunities of the new decade by maintaining strong emphasis on product innovation and productivity improvement, and by further expansion of its services businesses. Late in 1979, the Sector launched an intensive marketing and advertising program on the theme "GE brings good things to life" — strengthening public consciousness of the GE brand image and setting the tone for the GE commitment to consumers of the 1980s.

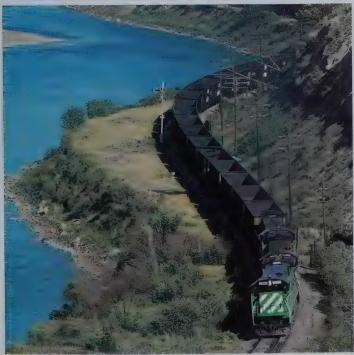
Industrial Products and Components: strength in all major markets

(In millions)	1979	1978	1977	1976	1975
Revenues	\$4,803	\$4,124	\$3,698	\$3,270	\$3,027
Net earnings	272	223	191	160	133

GE products for industrial customers include (top) powerful motors for excavators and motorized wheels of haulage vehicles, and computerized machine-tool controls; (bottom) diesel-electric locomotives, and small electric motors as components in appliances. (continued on page 10)









Services offered by the Industrial Products and Components Sector include (top) a worldwide network of apparatus service shops, handling such projects as the rebuilding of hydroelectric generators; and (bottom) distribution services of the GE Supply Company.





The Industrial Products and Components Sector achieved a strong 22% earnings improvement on a good 16% increase in revenues. All of the Sector's major businesses shared in this growth, including GE operations providing markets with capital equipment, component products incorporated by manufacturers and contractors into their products, transportation systems, apparatus repair services, and supply centers for electrical and associated products.

The Industrial Products and Components Sector accounted for 20% of total General Electric revenues in 1979 and 19% of the year's earnings.

Effective at the beginning of 1980, the Sector was restructured to optimize allocation of Company resources to major growth opportunities. This report is based on the new organization.

General Electric's motor businesses serve a broad spectrum of industrial markets, many of which were strengthened by U.S. industry's increased capital investments in plant and equipment to boost productivity and by efforts to achieve greater energy efficiency. These businesses reported good increases in earnings in 1979 on somewhat higher sales.

The Company sustained its leadership role in small electric motors with increased 1979 sales of energy-saving motors for use in GE products and those of other appliance and industrial manufacturers. Strength was also shown in the farm market for motors.

Global efforts to expand energy supplies brought opportunities for increased sales of General Electric products such as motors for the mining industry and motors and generators for oil well drilling rigs.

Contractor equipment operations had strong earnings increases on higher sales. Continued high levels of industrial and commercial construction offset the decline in residential housing starts in 1979. GE manufactures and markets a wide range of products for this market, with a focus on distribution and circuit protection for users of electric power. The General Electric line also includes general purpose controls, wiring devices, and wire and cable products.

Additional General Electric developments during the year included a new self-checking 600-volt relay which affords safe operation of punch press equipment, and new solid-state photoelectric controls which permit more economical and trouble-free operation in material handling applications.

Among many energy-related products gaining customer acceptance in 1979 was the new computer-based programmable lighting control system that saves energy by automatically providing the programmed amount of light when and where needed in commercial and industrial buildings.

Transportation systems businesses continued to grow in supplying diesel-electric locomotives, transit propulsion equipment, and motorized wheels for large off-highway vehicles. The sharply higher earnings achieved by these General Electric businesses in 1979 were led by locomotive operations, which showed growing strength in domestic markets.

Sales of General Electric locomotives reached a new high in 1979 as the result of the expansion of coal haulage and the increase in piggyback operations by U.S. railroads.

General Electric continued to supply high-performance propulsion equipment to the rail transit industry. During the year, the Massachusetts Bay Transportation Authority order for 190 propulsion and control sets was completed, and an order for 300 similar sets was received from the Chicago Transit Authority. Transit car operations also completed the overhaul of 34 Metroliner rail cars for use along the northeast corridor.

Sales of General Electric motorized wheel drives for off-highway vehicles were stronger in 1979, reflecting increased worldwide demand for haulage vehicles for open-pit coal and copper mines.

Industrial electronics operations had good earnings increases on somewhat higher sales.

The Company continued to be an international leader in providing large electrical systems to power industry. Among the year's commitments from customers throughout the world was an order for electrical drives and automation systems to equip a new hot strip steel mill in Taiwan.

Products incorporating microprocessor technology to serve industrial customers' needs for increased productivity include the Mark Century® 1050H series of computerized numerical controls. These new units broaden the market by combining efficient computerized numerical controls with small machine tools.

Strong demand for electronic power supplies for use in electronic copiers and duplicators increased volume for this GE product line. The Company provided its first custom power supply to a manufacturer of laser-equipped computer output printers.

General Electric's electronic components business is benefiting from the electronics boom, with stepped-up demand for semiconductors, capacitors and other electronic devices supplied by the Company. As a result of the Company's ongoing participation in electric automobile research, General Electric introduced in 1979 a new highpower transistor that is capable of switching large currents in less than a millionth of a second. Also during 1979, the Company entered the fast-growing liquid crystal display market. The outlook for liquid crystal display technology is promising, notably in consumer and instrumentation applications.

Service and distribution businesses conducted by this Sector include:

 Apparatus service shops, comprising a worldwide network of facilities providing maintenance, inspection, repair and rebuilding of industrial equipment produced by General Electric and other manufacturers. With these shops continuing their profit growth in 1979, the Company invested further in their expansion, adding eight new shops during the year, bringing to 193 the number operating worldwide.

In addition to new facilities, GE invested in the growth of its service coverage, including new capability for rebuilding mainline locomotives and transit equipment, broader maintenance service for switchgear and substations, new service for industrial crane and hoist maintenance, and expanded service for hydroelectric plants. With only 35% of the nation's hydro capacity now being used, GE sees broad opportunities for rebuilding abandoned plants and upgrading the capacity of existing ones.

Also during 1979, the fast-growing instrumentation and communication equipment service was expanded to include repair and calibration of specialized telephone equipment for independent companies and major users.

 Distribution services provided by the General Electric Supply Company to customers in the contractor, industrial, commercial and utility markets. This GE nationwide network of supply centers, stocked with GE products and those of other companies, capitalized on strengths in its served market in 1979 to achieve another year of improved results. A new computerized order entry, pricing and inventory management system is being implemented to improve service to customers.

The outlook is for some segments of the markets served by the Industrial Products and Components Sector to show strength in 1980 while others may be affected by a slowdown in the U.S. economy.

- Commercial and industrial construction markets are expected to remain strong in 1980, although residential construction markets are forecast to decline in the near term.
- · Domestic markets for locomotives should hold at record levels in 1980, while a moderate strengthening is expected in overseas purchases.
- The need for energy conservation and for increased productivity offers longer-term growth opportunities as the Company works to speed development of new electronic products and systems.
- The need for modern, more efficient machine tools and more sophisticated production equipment is strong.
- The anticipated resurgence in mining should sustain markets for drives for excavators, and motorized wheels for haulage vehicles.
- Growth in worldwide maintenance and repair markets served by the GE network of service shops is expected to continue throughout the decade.

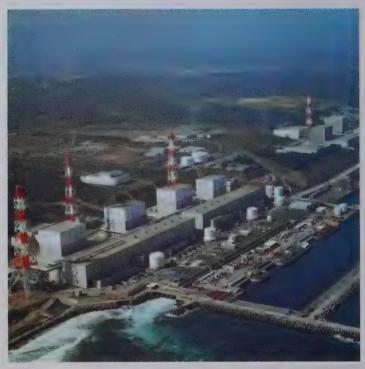
Power Systems: good earnings gains; markets remain sluggish

(In millions)	1979	1978	1977	1976	1975
Revenues	\$3,564	\$3,486	\$3,218	\$2,998	\$2,885
Net earnings	114	93*	75	61	62

^{*}Restated — See page 44.

GE Power Systems products and services include (top) the generator half of a large steam turbine-generator; nuclear power reactors, as in Japan's Fukushima plant; (bottom) large power transformers; and marine turbines powering tanker in Alaskan waters.









Meeting power producers' needs for both products and services, the Power Systems Sector delivers (top) STAG® combined-cycle plants, including this new facility in South Korea; and (bottom) engineering services applied to installing and maintaining utilities' systems.





General Electric's Power Systems Sector, serving world markets for electrical generation, power delivery, and industrial and marine apparatus, increased its earnings 23% on a 2% gain in revenues. The increase in earnings was the result of important gains in productivity and more effective utilization of working capital. These improvements were partially offset by the fact that selling price increases were not adequate to cover cost inflation.

Power Systems contributed 15% of total GE revenues for the year and 8% of net earnings.

The Sector worked against continuing adverse market trends. Peak demand for electricity in 1979 grew less than 1%. Thus, utilities continued to have high reserve margins and diminished need to place new orders for power generation and delivery equipment. However, despite these trends, the Sector's backlog of unfilled orders was \$12.1 billion at year-end 1979, about the same as at the end of 1978.

The response of Power Systems businesses to these market trends is based on a dual strategy: to maintain good earnings growth at lower production volume by increasing productivity and reducing break-even levels; and to pursue available growth opportunities, particularly in international and services markets and in markets opened up through new product developments.

Steam turbine-generator operations reported sales somewhat higher in 1979. A strong rise in earnings resulted from productivity and working capital improvements, partially offset by selling prices on contracts taken several years ago at fixed prices that were not adequate to cover cost inflation. As expected, the level of new orders received was lower than in 1978, although notable progress was made during the year in securing additional export orders for the Company's smaller-size steam turbinegenerators.

The orders backlog for steam turbine-generators was \$3.9 billion at year end, of which \$2.0 billion is scheduled for shipment after 1984. The comparable backlog for 1978 was \$4.1 billion, of which \$1.9 billion was scheduled for shipment after 1983.

During 1979, General Electric became a partner in a Taiwan joint-venture manufacturing operation to produce large steam turbine-generators. The new firm, United Asia Electric Company, expects to manufacture fossil units totaling over 7,000 megawatts, and has an immediate order for two 570-mw units. The joint venture provides a significant opportunity for General Electric's turbine-generator business.

Mechanical drive turbines showed slightly lower sales and earnings. However, the business entered 1980 with a good orders backlog.

The Sector's marine propulsion turbine business was sustained by applying its resources to ongoing projects for the U.S. Navy.

Gas turbine operations showed further improvement in earnings in 1979, primarily on the strength of their international sales. General Electric gas turbines maintained their worldwide leadership in a range of applications that includes electric utility peaking and mid-range power, and numerous industrial applications such as pipeline pumping and offshore oil and gas platforms.

High efficiencies of combined-cycle STAG[®] (steam and gas turbine) plants continued to attract potential customer interest, particularly in energy-short countries.

The Sector is developing larger gas turbines to serve international markets. In 1979, the first order was placed for the Company's advanced MS9000E 100-mw heavyduty gas turbine.

Nuclear systems businesses' losses in 1979 were lower than in prior years, as General Electric made further substantial expenditures on engineering and development in support of nuclear projects in the backlog. These expenditures, in addition to the effects of deferments of shipments and cancellations of nuclear orders, are expected to result in continuing losses for this business.

The backlog of orders for these businesses, including nuclear reactors, fuel assemblies and plant services, at year-end 1979 totaled \$5.3 billion, of which \$2.5 billion is scheduled for shipment after 1984. The comparable backlog for 1978 was \$5.1 billion, of which \$2.4 billion was scheduled for shipment after 1983. For the U.S. utility industry, cancellations of nuclear plants have substantially outnumbered new orders during the last five years. It is the belief of General Electric's management that resumption of nuclear orders will require more than renewed demand for electrical generating equipment; there must be governmental action to reform the nuclear licensing process, and to resolve existing uncertainties regarding such issues as radioactive waste storage as well as nuclear export policy.

Nuclear fuel and plant service needs of U.S. and foreign utilities offer the Sector opportunities for profitable growth. During 1979, the nuclear business received further large orders for nuclear power plant fuel, and worked closely with the Sector's installation and service engineering business to develop General Electric nuclear service opportunities.

Installation and service engineering businesses achieved record earnings in 1979 on good sales increases. Growth for this business is being achieved by expanding utility maintenance, plant equipment modernization and marine services worldwide.

Power delivery businesses which produce transformers, power circuit breakers, switchgear and meters reported lower earnings on slightly higher sales than those for 1978. In view of the excess capacity in utility systems, the

inability to recover inflationary costs through price increases, and the decline in residential construction, these General Electric businesses are emphasizing programs for controlling costs, improving efficiency and consolidating operations.

Growth opportunities resulting from product developments are being pursued. In 1979, more than 50 utilities purchased General Electric time-of-use watthour meters designed to help utilities level their daily load peaks and valleys. Also, the Company made the first commercial shipment of the Automatic Meter Reading and Control (AMRAC[®]) load management system which allows remote meter readings and increased utility influence over demand cycles.

The outlook is for most power systems markets to remain sluggish for the next few years. With current schedules projecting modest increases in shipments, General Electric's Power Systems businesses are stepping up their efforts to reduce their operating costs, lower overhead and improve productivity in order to sustain earnings levels.

Concerned about the possibility of electric power shortfalls in the late 1980s, General Electric managers are urging aggressive development of all present energy options, including coal and nuclear power. It is their belief that while the future for nuclear energy was made more difficult by the accident at Three Mile Island Unit 2 in 1979, nuclear power can and should still play a significant, and safe, role in reducing the present heavy dependence on oil imports.

The Power Systems Sector has organized its Energy Systems and Technology Division specifically to spearhead a wide range of advanced energy development activities. Included are developments in several technologies to use coal in more efficient, economical and clean power plants; advanced sodium-sulfur batteries which would facilitate increased control of peak energy loads by making possible the storage of large amounts of electricity; and solar central-receiver power plants that use heliostats to convert the sun's energy to electricity.

As reported in previous Annual Reports, customers have required that nuclear fuel be sold with warranties covering the useful life of the fuel, even though the experience base for predicting the life of nuclear fuel under power plant operating conditions is still relatively small. As of December 31, 1979, there were open warranty commitments on fuel with an original sales value of approximately \$1.1 billion, and on fuel in the backlog presently valued at \$3.0 billion, covering deliveries through the early 1990s. Also, some fuel orders include reprocessing, plutonium fabrication and waste disposal services. In view of current U.S. government policies, it is highly uncertain whether such services can be provided.

Technical Systems and Materials: strong growth for all major businesses

(In millions)	1979	1978	1977	1976	1975
Revenues	\$6,061	\$4,745	\$4,145	\$3,688	\$3,251
Net earnings	356	278	248	202	160

The diverse products of the Technical Systems and Materials Sector range from (top) the CF6 family of jet engines for commercial aircraft to simulators for training flight crews; and (bottom) from production of silicone chemicals to Lexan® plastics for a Yugoslav stadium. (continued on page 16)









To help medical equipment customers control costs, GE offers (top) a refurbishing service for mobile x-ray units. Another fast-growing service: a global information services network (bottom), enabling customers to use the massed computer power of GE "Supercenters."





For the array of high-technology businesses making up the Technical Systems and Materials Sector, 1979 was a year of further substantial increases. Both revenues and earnings increased 28% above their 1978 levels, with all of the Sector's major businesses contributing to the year's strong gains.

The Sector accounted for 25% of total General Electric revenues and earnings in 1979.

Aircraft engine businesses serving aircraft, marine and industrial markets produced good earnings increases on sharply higher sales, while continuing a high level of expenditures for commercial engine development. The year was notable for the high rate of new orders for commercial aircraft engines and continued strength in military markets.

Airlines around the world continue to modernize and supplement their fleets with new and re-engined aircraft. The GE family of commercial engines serves this market with powerplants that offer efficiency, low fuel consumption and low-noise designs.

By 1979 year end, 54 airlines had over 380 CF6-powered aircraft in service on their twin, trijet and four-engine wide-bodied aircraft. Highlighting new orders during the year were airlines specifying the CF6-80 engine for new twin-iet Boeing 767 and Airbus Industrie A310 aircraft.

Simultaneous certification of the CFM56 turbofan engine in both France and the U.S. was another 1979 milestone. A joint development by General Electric and SNECMA of France, the engine has been selected by major airlines to re-engine their DC-8 aircraft. It continued its flight test program with the successful first flight on a fourengine 707 jetliner.

Prospects in general aviation improved during the year when GE's CF34 engines were specified for the new twin-engine business aircraft, Canadair Ltd.'s Challenger E, and when Bell Helicopter launched its 214ST civil helicopter with GE CT7 turboshaft engines.

Marine and industrial markets for aircraft-derived engines remained strong in 1979. The first GE LM5000 gas generator to enter regular service began meeting peak electrical demands for Tokyo during the year. The Company's earlier development in marine gas turbines, the LM2500, has been chosen for over 130 ships in 11 navies.

Meeting military needs, GE's F404 engine for the F/A-18 Hornet qualified for production in 1979. Also, GE was selected to develop and flight test an F101 DFE (Derivative Fighter Engine) as a potential alternate powerplant for such aircraft as the Navy F-14 and Air Force F-16.

GE has also developed a substantial business in supplying military helicopter engines. The T700 turboshaft engine, already in production for Army helicopters, continued in development for the U.S. Navy LAMPS helicopter and completed flight qualification tests, meeting or exceeding all performance requirements.

Aerospace operations had substantial earnings gains that outpaced the year's sales increase, and new orders were well ahead of 1978. Technologies in this business encompass space sciences, defense electronics, avionics, computer software and energy systems.

In 1979, General Electric was selected to develop a new solid-state, three-dimensional radar system for the Air Force. This new generation of air defense radar offers automatic operation and reduced maintenance costs.

In space sciences, GE is developing an advanced communication satellite system for the Air Force.

In avionics, which includes the flight control and instrumentation systems for aircraft, General Electric serves both military and commercial markets. GE avionics equipment is on all wide-bodied aircraft, and important new systems have been selected for the Boeing 757 and 767 aircraft now in development.

For both military and commercial customers, General Electric has produced computer-generated image displays that train pilots via simulated rather than actual flights. Even more highly advanced simulators are being developed to further improve flight training while reducing costs and conserving fuel.

Genigraphics®, GE's computer-generated graphic slide service, continued its fast growth in 1979, doubling both equipment sales and the size of its nationwide network of service centers.

Engineered materials had sharply higher earnings and sales than in the preceding year. The General Electric family of high-performance materials includes engineered plastics, silicone chemicals, tungsten-carbide metals, Man-Made ® diamonds, Borazon® abrasives, and electromaterials such as laminates and rechargeable batteries.

General Electric plastics continued to penetrate automobile markets both in the U.S. and abroad. Seeking to improve fuel efficiencies by reducing weight, auto makers are increasingly specifying the Company's high-performance plastics to replace metals and glass. With the 1979 introduction of Arnox[®] resin, "the processable epoxide," the General Electric line of plastics now covers 32 automotive applications.

Investments in expanded manufacturing facilities at the Company's Mount Vernon, Ind., plant facilitated the introduction of Margard® sheet, a tough glazing product with abrasion resistance comparable to that of glass.

General Electric tungsten-carbide metals and Man-Made industrial diamonds are finding growth opportunities in industry's drive for higher productivity in metalworking operations and in today's intensified mining operations and drilling for oil and gas.

Innovations helped the Company's silicones business maintain its growth. As an example, new General Electric silicone sealants offer greater durability and ease of application.

Growth of the electro-materials business has been accelerated by applications in electronics for communication, computers and consumer markets.

Medical systems businesses, supplying diagnostic imaging and patient monitoring equipment and related services, had substantial earnings increases on higher sales in 1979.

The Company introduced a new ultrasound diagnostic system particularly applicable in fetal examinations and screening procedures. With this new system, General Electric now offers all four diagnostic imaging techniques, including conventional x-ray, nuclear medicine and computed tomography (CT).

The year brought a continued high demand for the Company's CT systems, which combine x-ray with computer technology to produce cross-sectional views of the body. Some 325 General Electric CT systems have been installed in 16 countries.

GE information services business maintained its rapid growth in sales and earnings. Remote data processing services were further expanded by extending the availability of MARK III® service access to Venezuela and Saudi Arabia. The network now serves over 6,000 customers in 24 countries.

Further advances were made during the year in information services technology, including the introduction of the MARK III Distributed Data Processing service, and the MARK 3000[®] remote computing service.

Communications businesses of General Electric include mobile radio operations and computer interface equipment. The year's substantial earnings gains and higher sales were paced by mobile radio. Good customer acceptance of the Century II[®] mobile radio line contributed to the improved results.

The outlook for the varied markets served by the Technical Systems and Materials Sector is excellent. While sales of engineered materials may be affected by a short-term downturn in some domestic markets, it is expected that there will be continued growth in foreign markets.

Markets for new aircraft engines and for re-engining aircraft are on a long-term growth curve.

Government markets for defense equipment, services, and research and development are forecast to expand in the 1980s.

Information services markets are continuing to expand rapidly worldwide.

World markets for mobile communications equipment are expected to grow substantially in the next five years.

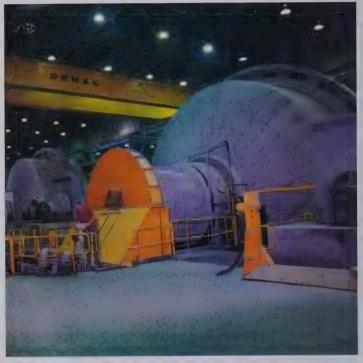
Needs for improved medical diagnostic equipment continue to bolster markets for sophisticated medical systems.

Natural Resources: new highs in worldwide mining operations

(In millions)	1979	1978	1977	1976	1975
Revenues	\$1,260	\$1,032	\$965	\$1,003	\$683
Net earnings	208	180	196	181	108

Natural resources activities of Utah International include (top) coking coal mining at new Norwich Park mine in Australia, and production of copper in Canada; plus (bottom) oil and gas production of Ladd Petroleum, and a worldwide minerals exploration program.









GE's natural resources operations, primarily Utah International Inc., set new highs in revenues and earnings in 1979. Revenues were 22% higher than in 1978, while earnings, which exceeded \$200 million for the first time, increased 16%. These businesses contributed 5% of total General Electric revenues and 15% of earnings for 1979.

A sharp improvement in earnings from Canadian copper operations was the major factor contributing to the vear-to-year earnings gain.

Approximately 82% of 1979 revenues and 77% of net earnings from natural resources originated from non-U.S. operations.

The mineral sales backlog at the end of 1979, including uranium, was \$5.6 billion, of which \$4.5 billion was scheduled for shipment after 1980. All contracts making up this backlog are payable in U.S. dollars.

Australian coking coal activities continued to be the major source of earnings by Utah International in 1979. A modest earnings improvement was attributable to record shipments of 17.0 million metric tons, a 5% increase over shipments in 1978, when deliveries were affected by a miners' strike of nearly seven weeks. A negative development during the year was the Australian federal government's decision to retain the coal export duty, a levy it previously was committed to eliminate.

Norwich Park, Utah's fifth surface coking coal mine in Australia, came into production in November 1979. The new mine will reach an annual capacity of 4.3 million metric tons, bringing total annual production capacity of the Utah-operated mines to over 21 million metric tons. At year end, approximately one-third of Norwich Park's annual production capacity was contracted for under longterm sales arrangements. Although additional amounts are expected to be committed to contracts early in 1980, some portion of the mine's capacity is being reserved for sales on the "spot" market and for greater flexibility in supplying products to new customers.

Utah owns 89% of Blackwater mine, and 68% of the other Utah-operated coking coal mines in Australia.

Establishment in 1979 of a Sydney headquarters office from which to manage the affiliate's Australian activities reflects both a further commitment by Utah to participate in Australia's economic growth and a move to make Utah more responsive to local developments.

Operations at the Island Copper mine in British Columbia, Canada, produced record earnings for the year. The average price per pound of copper rose 45% in 1979. In addition to the improvement in copper markets, by-product sales of molybdenum, gold, silver and rhenium, which together accounted for approximately one-third of Island Copper's revenues, were substantially higher at record prices.

Iron ore activities also benefited from increased shipments and higher price realizations in 1979. Earnings gains were made by Australian and New Zealand operations and, although another loss was recorded, improvement also was made by Samarco, the \$600-million Brazilian venture in which Utah owns 49% of the voting stock and provides debt guarantees.

Steam coal mining operations, serving several electric utilities, showed a good earnings gain. Improvements were realized at the Trapper mine in Colorado and from contract mining at the San Juan mine in New Mexico, while results from the Navajo mine in New Mexico were slightly lower than those achieved in 1978.

Oil and natural gas operations of wholly owned Ladd Petroleum Corporation reported record revenues and earnings. Results benefited from improved product prices and from the 1979 acquisition of the Indian Wells natural gas properties in Texas. The expanded exploration drilling program conducted by Ladd experienced a success ratio that was well above industry averages.

Uranium operations are conducted by Pathfinder Mines Corporation, a wholly owned nonconsolidated subsidiary, all of whose common stock is held by independent trustees (see note 12 to financial statements). The small loss at these operations reflected relatively low shipment levels, increased costs, and the need to deliver concentrate under low price contracts entered into in the early 1970s. These contracts are scheduled to be fulfilled by 1981.

Other activities include ocean transportation in support of mining operations, and land development operations conducted mostly in California. Also, in a joint venture with GE's Lighting Group, Utah began development of a tungsten mine in Nevada. This mine is expected to commence production in 1982 and produce a significant portion of GE's annual tungsten requirements.

The outlook is for continued strength and increased competition in the worldwide markets for natural resources.

Investing for long-term growth, Utah emphasizes a vigorous exploration program aimed at maintaining and strengthening its role as a leading low-cost producer of mineral resources needed by the world's economies. Additional capacity available from the new Norwich Park mine further strengthens Utah's position as the major coking coal supplier to international markets and should enhance Utah's competitive position in coking coal markets.

At year-end 1979, Utah International purchased certain Kentucky coal properties for \$7 million from National Steel Corporation and signed an agreement to purchase additional coal properties held by National in Kentucky and West Virginia for \$158 million.

International: total GE business abroad increases; U.S. exports set record

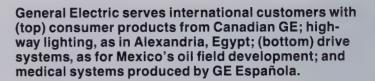
Total international operations — all Sectors (In millions) 1975 1979 1978 1977 1976 Revenues outside the U.S. \$6,138 \$5,567 \$4,766 \$7,840 \$7,014 312 526 486 415 445 Net earnings

Foreign multi-industry operations

Revenues	\$2,901	\$2,767	\$2,562	\$2,334	\$2,198
Net earnings	65	76*	71	75	58

*Restated — See page 44.











Total GE international revenues were 12% higher in 1979 with earnings up 8%. International operations of all Sectors accounted for about 33% of GE's 1979 total revenues and 37% of net earnings.

These international revenues were derived from four broad sources worldwide:

- Operations of nondiversified foreign affiliates, including the foreign operations of Utah International Inc;
- Exports of GE products and services from the U.S. to unaffiliated foreign customers and to GE affiliates:
- Technology-licensing revenues from unaffiliated and affiliated foreign sources;
- Foreign multi-industry operations.

Results of the first three activities above are also included in the appropriate product Sector data elsewhere in this Report. The fourth activity, foreign multi-industry operations which are under the direct management of the International Sector, accounted for 12% of total GE revenues and 5% of earnings in 1979.

A summary of revenues from outside the U.S. follows:

Total international revenues — all Sectors

(In millions)	1979	, 1978
Foreign operations and licensing		
Far East including Australia	\$1,217	\$1,136
Other areas of the world	3,851	3,307
	\$5,068	\$4,443
U.S. exports to unaffiliated customers		
Europe/Africa/Middle East	\$1,581	\$1,662
Far East including Australia	741	498
Other areas of the world	450	41
Other drode of the World	\$2,772	\$2,57

Operations outside the U.S. increased revenues from \$4.4 billion in 1978 to \$5.1 billion in 1979. This growth was primarily attributable to nondiversified affiliates, directly managed by the appropriate Sectors, and reflects GE's emphasis on encouraging individual product businesses to extend their activities to global markets, with support and coordination provided by the International Sector.

Foreign multi-industry operations included in these amounts consist principally of affiliates manufacturing varied lines of products oriented toward their host-country markets, and international construction operations. Results were mixed in 1979, in line with continued difficult economic conditions in many of the countries served. While revenues increased 5%, earnings were off by 14%, in part due to 1978's nonrecurring gain from the sale of GE's interest in Osram GmbH.

Canadian General Electric Company Ltd., largest of the multi-industry affiliates, with 1979 sales of \$1,339 million in Canadian dollars, turned in a strong performance. Actions to reposition several consumer and construction product lines were instrumental in the improvement of sales, operating margins and earnings.

General Electric's Latin American affiliates experienced generally slower sales growth and lower earnings in 1979. Affiliates in Italy and Spain operated at a loss. In Australia and the Philippines, improved performance resulted from transferring General Electric consumer goods affiliates to form larger operations in exchange for minority ownership positions.

International construction operations provide the management and technical expertise to take on very large international projects. Profitability of these operations was improved in 1979 on about the same sales level as 1978.

Export sales reflect, in part, the many services provided to GE's domestic operations by the International Sector. These services range from a worldwide sales organization to establishment of liaison offices in developing countries. Results in 1979 continued to be led by high-technology products such as gas turbines and aircraft engines.

The backlog of orders from unaffiliated customers for exports from the U.S. increased sharply, from \$3.5 billion at the end of 1978 to \$4.6 billion for 1979.

The outlook continues to favor substantial growth for international markets served by GE, even though GE economists expect growth trends for the world's economies to be moderate over the next two years.

Reasons for this positive assessment lie in worldwide needs for the high-technology products and services that General Electric provides. Also, efforts by the International Sector to strengthen the Company's sales support structure, particularly in new growth areas in the Middle East, Africa and Southeast Asia, have begun to pay returns in increased sales to these areas.

GE foreign operations will continue to reflect the differing development rates and economic conditions in the countries they serve. For instance, Mexican markets should be influenced significantly as that country's government converts its energy resources into industrial growth. The outlook for growth in international markets, however, must take into account the increased worldwide competition from major foreign manufacturers, frequently with support of their national governments.

Prospects for U.S. companies in international business are improved by events of 1979, including Congressional approval of a new international trade agreement whose terms would, with ratification by more than 100 nations, reduce trade barriers for many U.S. industries.

The year also saw new government recognition of the United States need, in the words of President Carter, to "place a higher priority on exports" in order to help offset increased oil imports, hold down U.S. trade deficits and strengthen the dollar. The President's Export Council was reorganized in 1979. General Electric's Board Chairman put the Company's support behind the new effort by agreeing to serve as the Council's chairman.

Board of Directors

Three new Vice Chairmen were elected to General Electric's Board in January 1980, upon the retirement of W. David Dance and Jack S. Parker as Vice Chairmen.

The new Vice Chairmen, all of whom are Executive Officers of General Electric, are: John F. Burlingame, Edward E. Hood, Jr., and John F. Welch, Jr.

Frederick L. Hovde, who had served as a Director for 23 years, retired in 1979.

The Board commended Mr. Dance and Mr. Parker for their long and distinguished service to the Board and to General Electric. Mr. Dance had served on the Board since 1971 and Mr. Parker since 1968. Both were Executive Officers of General Electric. Mr. Hovde, who had served on the Board since 1956, was also commended for his many years of distinguished service.

The Board conducted ten regular meetings in 1979. In May, the quarterly dividend was increased by the Board, from 65 to 70 cents per share.

In view of the in-depth reports on each of the Board's seven Committees presented in the 1978 Annual Report, this year's Report includes only brief highlights of the Committees' 1979 activities:

- The Audit Committee, made up entirely of Directors from outside the Company, on three occasions met with representatives of the independent public accountants, and on two occasions with the manager of GE's corporate audit staff, to appraise the effectiveness of 1979 audits of General Electric.
- The Finance Committee reviewed the Company's financial position, its investments in foreign companies and operations of the General Electric Credit Corporation.
- The Management Development and Compensation Committee was highly active in reviewing and approving the changes in GE management and executive compensation during the year.
- The Nominating Committee continued to assess candidates for Directorships and the structure and memberships of the other Board Committees.
- Continuing to monitor operating matters that present particular opportunities, the Operations Committee in 1979 concentrated on General Electric's high-technology businesses.
- The Public Responsibilities Committee (formerly Public Issues Committee) reviewed management's responses to public issues affecting the Company in 1979.
- The Technology and Science Committee gave special emphasis to reports from each Sector on implementations of the recent Corporate Technology Study.

General Electric's Board of Directors is made up primarily of Directors from outside the Company. Only four are members of GE management. The other 16 have earned positions of leadership in such fields as business, law, education, finance and public service. The listing of Directors is in order of their Board seniority, with the year in which they were first elected shown in parentheses.

John E. Lawrence, President, James Lawrence & Co., Inc., cotton merchants, Boston, Mass. (1957)

Walter B. Wriston, Chairman of the Board and Director, Citicorp and Citibank, N.A., New York, N.Y. (1962)

Ralph Lazarus, Chairman of the Board and Director, Federated Department Stores, Inc., Cincinnati, Ohio. (1962)

Gilbert H. Scribner, Jr., Chairman of the Board and Director, Scribner & Co., real estate and insurance, Chicago, III. (1962)

Edmund W. Littlefield, Chairman of the Executive Committee and Director, Utah International Inc., San Francisco, Calif. (1964)

J. Paul Austin, Chairman of the Board and Director, The Coca-Cola Company, Atlanta, Ga. (1964)

Reginald H. Jones, Chairman of the Board, Chief Executive Officer and Director, General Electric Company, Fairfield, Conn. (1971)

James G. Boswell II, Chairman of the Board, Chief Executive Officer and Director, J. G. Boswell Company, farming and related businesses, Los Angeles, Calif. (1971)

Charles D. Dickey, Jr., Chairman of the Board, Chief Executive Officer and Director, Scott Paper Company, Philadelphia, Pa. (1972)

Henry L. Hillman, President and Director, The Hillman Company, diversified operations and investments, Pittsburgh, Pa. (1972)

Henry H. Henley, Jr., Chairman of the Board, Chief Executive Officer and Director, Cluett, Peabody & Co., Inc., manufacturing and retailing of apparel, New York, N.Y. (1972)

Silas S. Cathcart, Chairman of the Board and Director, Illinois Tool Works Inc., diversified products, Chicago, Ill. (1972)

Samuel R. Pierce, Jr., Partner, Battle, Fowler, Jaffin, Pierce and Kheel, law firm, New York, N.Y. (1974)

Gertrude G. Michelson, Senior Vice President, External Affairs, Macy's- New York, retailers, New York, N.Y. (1976)

Lewis T. Preston, Chairman of the Board and Director, J. P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company, New York, N.Y. (1976) **George M. Low,** President, Rensselaer Polytechnic Institute, Troy, N.Y. (1977)

Richard T. Baker, Consultant to Ernst & Whinney, public accountants, Cleveland, Ohio. (1977)

John F. Burlingame, Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. (1980)

Edward E. Hood, Jr., Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. (1980)

John F. Welch, Jr., Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. (1980)

Committees of the Board

Audit Committee

Charles D. Dickey, Jr., *Chairman,* Richard T. Baker, John E. Lawrence, George M. Low, Samuel R. Pierce, Jr.

Finance Committee

Edmund W. Littlefield, *Chairman*, Reginald H. Jones, *Vice Chairman*, Charles D. Dickey, Jr., Henry H. Henley, Jr., Lewis T. Preston, Gilbert H. Scribner, Jr., Walter B. Wriston

Management Development and Compensation Committee

Ralph Lazarus, *Chairman*, J. Paul Austin, Silas S. Cathcart, John E. Lawrence, Walter B. Wriston

Nominating Committee

Henry H. Henley, Jr., Chairman, J. Paul Austin, Charles D. Dickey, Jr., Ralph Lazarus, Edmund W. Littlefield, George M. Low

Operations Committee

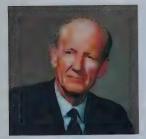
J. Paul Austin, *Chairman*, John F. Welch, Jr., *Vice Chairman*, James G. Boswell II, Gertrude G. Michelson, Lewis T. Preston, Gilbert H. Scribner, Jr.

Public Responsibilities Committee

Henry H. Henley, Jr., Chairman, John F. Burlingame, Vice Chairman, Richard T. Baker, Herrry L. Hillman, Ralph Lazarus, Gertrude G. Michelson, Samuel R. Pierce, Jr.

Technology and Science Committee

George M. Low, Chairman, Edward E. Hood, Jr., Vice Chairman, James G. Boswell II, Silas S. Cathcart, Henry L. Hillman, Edmund W. Littlefield



John E. Lawrence



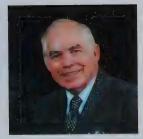
Walter B. Wriston



Ralph Lazarus



Gilbert H. Scribner, Jr.



Edmund W. Littlefield



J. Paul Austin



Reginald H. Jones



James G. Boswell II



Charles D. Dickey, Jr.



Henry L. Hillman



Henry H. Henley, Jr.



Silas S. Cathcart



Samuel R. Pierce, Jr.



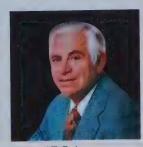
Gertrude G. Michelson



Lewis T. Preston



George M. Low



Richard T. Baker



John F. Burlingame



Edward E. Hood, Jr.



John F. Welch, Jr.

People/management

During 1979, General Electric prepared for an orderly transition to the managerial leadership that will guide the Company in the 1980s. Three new Vice Chairmen were elected and subsequently became members of the Board of Directors. Reporting to the Vice Chairmen are six Executive Vice Presidents and Sector Executives, most of them new to their assignments. In all, more than 40 high-level organizational changes were made during the year, utilizing General Electric's depth of management to bring new managerial talent into the Company's leadership. This new GE team for the 1980s includes the 131 managers presented on these and the following two pages.

Two corporate groups provide integration of the plans and programs of these senior managers. The Corporate Policy Board is made up of the Chairman, Vice Chairmen and the six corporate staff Senior Vice Presidents pictured at lower right. These same officers are joined by the six Sector Executives, presented at upper right, to form the Corporate Executive Council. The 12 other Senior Vice Presidents portrayed were elected during the year to head up the major Groups of GE businesses.

'Effectively Coping with Inflation' is the title of a new program developed in 1979 for senior GE managers. The program helps managers understand chronic high inflation, realize how it distorts financial data, and learn how to minimize its impact. More than 350 of the Company's senior managers participated in the seminars in 1979, and the program will be continued in 1980.

GE's U.S. employment, including domestic employees of Utah International Inc., totaled 287,000 at year-end 1979, compared with 284,000 at year-end 1978.

Analysis of domestic GE and General Electric Credit Corporation employment for the year ended September 30 shows that the number of women managers increased from 1,145 to 1,288, up 12%, while the number of minority managers was up 10%, from 1,206 to 1,332. Women professionals climbed from 4,027 to 4,690 — an increase of 16%. Minority professionals went from 2,953 to 3,348 - a 13% rise. More than 18,000 women and 9,000 minorities were promoted in 1979. Overall, women account for 29% of GE employees and minorities 12%.

New three-year contracts were signed at midyear by management and the unions representing most hourly and some salaried employees. The new job package includes a cost-of-living adjustment formula providing increased protection against inflation, a new dental plan, and improvements in pension, medical expense insurance, sickness and accident income, and other plans.

Grants to education by the General Electric Foundation in 1979 totaled \$4.8 million. The Foundation's annual report will be available in April upon request.

Executive Vice Presidents



Executive Vice President and Sector Executive - Industrial **Products and Components Sector**



Robert R. Frederick **Executive Vice President and** Sector Executive - International

Senior Vice Presidents



Senior Vice Presidents responsible for GE corporate staff components include (front row, left to right): Daniel J. Fink, Corporate Planning and Development; Thomas O. Thorsen, Finance; Arthur M. Bueche, Corporate Technology; (back row, left to right): Leonard C. Maier, Jr., Corporate Relations; Walter A. Schlotterbeck, General Counsel and Secretary; and Robert B. Kurtz, Corporate Production and Operating Services.



Herman R. Hill **Executive Vice President and** Sector Executive - Power Systems Sector



Christopher T. Kastner Executive Vice President and Sector Executive - Technical Systems and Materials Sector



Paul W. Van Orden Executive Vice President and Sector Executive - Consumer **Products and Services Sector**



Alexander M. Wilson Chairman of the Board and Chief Executive Officer - Utah International Inc.



Senior Vice Presidents and Group Executives include (front row, left to right): Roy H. Beaton, Nuclear Energy Group; George B. Cox, Turbine Group; Brian H. Rowe, Aircraft Engine Group; (back row) Charles R. Carson, Engineered Materials Group; Ralph D. Ketchum, Lighting Group; and Van W. Williams, Motor Group.



Senior Vice Presidents and Group Executives include (front row, left to right): Donald S. Bates, Information and Communication Systems Group; Richard O. Donegan, Major Appliance Group; Louis V. Tomasetti, Aerospace Group; (back row) James P. Curley, Contractor Equipment Group; Donald K. Grierson, Industrial Electronics Group; and John A. Urquhart, Power Delivery Group.

Corporate **Policy Board**

Reginald H. Jones Chairman of the Board and Chief Executive Officer

Arthur M. Bueche Senior Vice President Corporate Technology John F. Burlingame Vice Chairman of the **Board and Executive** Officer

Daniel J. Fink Senior Vice President Corporate Planning and Development

Edward E. Hood, Jr. Vice Chairman of the Board and Executive Officer

Robert B. Kurtz Senior Vice President Corporate Production and Operating Services John F. Welch, Jr. Vice Chairman of the **Board and Executive** Officer

Leonard C. Maier, Jr. Senior Vice President Corporate Relations

Walter A. Schlotterbeck Senior Vice President General Counsel and Secretary

Sector **Executives** James A. Baker Executive Vice President and Sector Executive Industrial Products and Components Sector

Robert R. Frederick Executive Vice President and Sector Executive International Sector

Herman R. Hill Executive Vice President and Sector Executive Power Systems Sector

Operations

Industrial Products and Components Sector

James P. Curley Senior VP & Group Executive – Contractor **Equipment Group**

William Longstreet VP & General Manager Distribution Equipment Division

James M. McDonald VP & General Manager Apparatus Distribution Sales Division

Donald K. Grierson Senior VP & Group Executive - Industrial Electronics Group

Erwin M. Koeritz VP & General Manager **Electronic Components** Division

James R. Olin General Manager Industrial Electronics Systems Division

Van W. Williams Senior VP & Group Executive - Motor Group

George B. Farnsworth VP & General Manager Component Motor Division

Eugene J. Kovarik VP & General Manager Industrial Motor Division

Raiph B. Glotzbach VP - Industrial Products

and Components

Relations Operation Kertis P. Kuhlman VP & General Manager General Electric Supply

Customer and Industry

Company Division **Donald E. Perry** VP & General Manager Industrial Sales Division

Bruce O. Roberts VP & General Manager Apparatus Service Division

Carl J. Schlemmer VP & General Manager Transportation Systems Division

International Sector

James R. Birle VP & General Manager Far East Area Division

Willis E. Forsyth VP & General Manager Latin American Operations

Frank D. Kittredge VP & General Manager Latin American **Business Development** Division

Paolo Fresco VP & General Manager Europe and Africa Operations

Edward C. Bavaria General Manager Middle East/Africa **Business Development** Division

George J. Stathakis VP & General Manager International Trading Services Operations

Edward F. Roache VP & General Manager International Construction Division

Alton S. Cartwright Chairman of the Board & Chief Executive Officer Canadian General **Electric Company** Limited (an affiliate of General Electric)

Power Systems Sector

Roy H. Beaton Senior VP & Group Executive – Nuclear **Energy Group**

A. Philip Bray VP & General Manager Nuclear Power Systems Division

Warren H. Bruggeman VP & General Manager Nuclear Products Division

Henry E. Stone VP & General Manager Nuclear Engineering Division

Bertram Wolfe VP & General Manager Nuclear Fuel and Services Division

George B. Cox Senior VP & Group Executive – Turbine Group

Robert H. Goldsmith VP & General Manager Gas Turbine Division

Richard W. Kinnard VP & General Manager Large Steam Turbine-Generator Division

George H. Schofield VP & General Manager Industrial and Marine Steam Turbine Division John A. Urquhart Senior VP & Group Executive – Power **Delivery Group**

> Nicholas Boraski General Manager Large Transformer Division

Donald C. Berkey VP & General Manager Energy Systems and Technology Division

Edward W. Springer VP & General Manager Electric Utility Sales Division

William R. Tackaberry VP - Power Systems Customer and Industry **Relations Operation**

Charles C. Thomas VP & General Manager Installation and Service **Engineering Division**

Corporate Staff Officers

R. Howard Annin, Jr. VP - Northeastern Regional Relations

Theodore P. LeVino VP - Executive Manpower

Roland W. Schmitt VP - Corporate Research and Development

Thomas R. Casey, M.D. VP & Company Medical Director

Edward H. Malone VP - Trust Investments Operation

Cecil S. Semple VP - Corporate **Customer Relations** Kristian H. Christiansen VP – Southeastern Regional Relations

Terence E. McClary VP - Corporate Financial Administration

Russell E. Whitmyer **VP & Treasurer**

James J. Costello VP & Comptroller

John B. McKitterick VP - Corporate Development

James F. Young VP - Technical Resources

Frank P. Doyle VP - Corporate Employee Relations

Douglas S. Moore VP – Corporate Public Relations

Thomas O. Thorsen Senior Vice President Finance

Christopher T. Kastner

Executive Vice President and Sector Executive Technical Systems and Materials Sector

Technical Systems and Materials Sector

Donald S. Bates Senior VP & Group Executive - Information and Communication Systems Group

Donald J. Meyers General Manager - Mobile Military Engine Communications Division

Charles R. Carson Senior VP & Group Executive - Engineered Materials Group

Thomas H. Fitzgerald General Manager Silicone Products Division

Alastair C. Gowan VP & General Manager Metallurgical Division

Glen H. Hiner VP & General Manager **Plastics Division**

Louis V. Tomasetti Senior VP & Group Executive - Aerospace Group

William A. Anders VP & General Manager Aircraft Equipment Division

Donald S. Beilman VP - Aerospace Technology Development Operation

Lee L. Farnham VP & General Manager Space Systems Division

Thomas I. Paganelli VP & General Manager Electronic Systems Division

Ladislaus W. Warzecha General Manager Re-entry Systems Division

Brian H. Rowe Senior VP & Group Executive - Aircraft **Engine Group**

James N. Krebs VP & General Manager Operations

Orville R. Bonner General Manager Marine and Industrial **Engine Projects** Division

William J. Crawford III General Manager Military Engine Projects Division

Raymond F. Letts VP & General Manager Aircraft Engine Manufacturing Division

Frank E. Pickering General Manager Aircraft Engine **Engineering Division**

James E. Worsham VP & General Manager Commercial Engine Operations

Neil Burgess General Manager Airline Programs Division

Harry C. Stonecipher General Manager Commercial Engine **Programs Division**

Walter L. Robb VP & General Manager Medical Systems Division Paul W. Van Orden

Executive Vice President and Sector Executive Consumer Products and Services Sector

Consumer Products and Services Sector

Richard O. Donegan Senior VP & Group Executive - Major Appliance Group

Robert E. Fowler, Jr. VP & General Manager Major Appliance Manufacturing Division

Richard T. Gralton VP & General Manager Major Appliance **Marketing Operations**

> Philip J. Drieci VP & General Manager - Major Appliance Retail Sales Division

William L. Grim General Manager Major Appliance Contract Sales Division

James F. West General Manager Major Appliance Marketing Division

John C. Truscott VP & General Manager Major Appliance Applied Research and **Engineering Division**

Wayman O. Leftwich, Jr. Vice President -**Special Studies**

Donald W. Lynch VP & General Manager Air Conditioning Division

Walter W. Williams General Manager Housewares and Audio Division

Ralph D. Ketchum Senior VP & Group Executive - Lighting Group

Paul L. Dawson VP & General Manager Lamp Components Division

David O. Gifford General Manager International Lighting Division

John W. Stanger President & Chief Executive Officer General Electric Credit Corporation (GECC) (an affiliate of General Electric)

Lawrence A. Bossidy Executive VP & Chief Operating Officer General Electric Credit Corporation

Norman P. Blake VP & General Manager - GECC Commercial and Industrial Financing Division

Raymond F. Pettit VP'& General Manager - GECC Consumer Financing Division

Utah International Inc.

Alexander M. Wilson Chairman of the Board and Chief Executive Officer

Alf E. Brandin Senior VP & Manager Land Development

James T. Curry Financial VP & Treasurer

Melvin H. Kennedy Vice President

J. Boyd Nielsen VP & Controller

Ralph J. Long Senior VP & Manager Mineral Exploration and **Development Division**

Donn K. Furgerson VP & Manager Marine Transportation

Robert O. Wheaton VP & Manager - Exploration

Charles K. McArthur Senior VP & Manager Mining Division

John T. Atkins VP & Manager - Western Coal Operations

Robert N. Hickman VP & Manager - Mining Technical Services

Boyd C. Paulson Vice President

George W. Tarleton VP & Manager – Mineral **Products Marketing**

John H. Moore President - Ladd Petroleum Corporation (a subsidiary of Utah)

Keith G. Wallace Senior VP & Manager Australasia Division

> Timothy R. Winterer VP & General Manager Utah Development Company (a subsidiary of Utah)

Bruce T. Mitchell Secretary

J. Gilbert Selway General Counsel

William B. Frogue VP - Southwestern Regional Relations

J. Russell Mudge VP - Corporate **Operating Services** Marion S. Kellogg VP - Corporate Consulting Services

Phillips S. Peter VP – Washington Corporate Office

Harry M. Lawson VP – Western Regional Relations

Iver J. Petersen VP - Central Regional Relations

William C. Lester VP – East Central Regional Relations

Donald D. Scarff VP - Atlantic Regional Relations

Financial issues: the impact of inflation

Inflation is commonly defined as a loss in value of money due to an increase in the volume of money and credit relative to available goods and services, resulting in a rise in the level of prices. Inflation in the U.S. is generally recognized to be caused by a combination of factors, including government deficits, sharp increases in energy costs, and low productivity gains including the effect of proliferating government regulations.

Although loss of purchasing power of the dollar impacts all areas of the economy, it is particularly onerous in its effect on savings — of both individuals in forms such as savings accounts, securities and pensions, and of corporations in the form of retained earnings.

For the individual, with inflation of 6% a year, the dollar saved by a person at age 50 will have lost three-fifths of its value by the time the person is age 65. With a 10% inflation rate, almost four-fifths of the dollar's value is lost in 15 years. This problem affects almost everyone, including those presently working and especially those who are on fixed incomes.

The situation is rendered even more difficult by the progressive income tax system. A Congressional staff study reports that a family of four with an income of \$8,132 in 1964 would need a 1979 income of \$18,918 to have kept pace with the increase in the Consumer Price Index over the years. However, the 1979 income of \$18,918 puts the family into a higher tax bracket which, when coupled with increased Social Security taxes, reduces real aftertax income \$1,068 below the equivalent 1964 level.

Your Company and all U.S. businesses face a similar problem. Business savings are in the form of retained earnings — the earnings a company keeps after paying employees, suppliers and vendors, and after payment of taxes to government and dividends to share owners. If a company is to continue in business, much less grow, it must be able to save or retain sufficient earnings, after providing a return to its share owners, to fund the cost of replacing — at today's inflated prices — the productive assets used up. Retention of capital in these inflationary times under existing tax laws is a challenge facing all businesses.

U.S. tax regulations permit recognition of the impact of inflation on a company's inventory costs by use of the LIFO (last-in, first-out) inventory method. In general, under the LIFO method, a company charges off to operations the current cost of inventories consumed during the year. With inflation averaging over 11% last year, the negative impact on operations of using current costs with respect to a supply of goods is substantial. Financial results are portrayed more accurately when the LIFO method is used in periods of high inflation, and GE has used LIFO for most of its U.S. manufacturing inventories for a quarter-century. The Statement of Earnings on page 32 is on that basis. As

supplementary information to that Statement of Earnings: use of the LIFO method increased 1979 and 1978 operating costs by \$430.8 million and \$224.1 million (to \$20,330.7 million and \$17,695.9 million), respectively, with a corresponding reduction of reported pre-tax profits.

Unfortunately, U.S. tax regulations fail to provide an equivalent to LIFO for the impact of inflation on a company's costs of property, plant and equipment. Instead, deductions for wear and tear on these assets are based on original purchase costs rather than today's replacement costs. In general, the resulting shortfall must be funded from after-tax earnings.

The supplementary information shown in Table 1 restates operating results to eliminate the major effects of inflation discussed above. Table 1 compares GE operating results as reported on page 32 with results adjusted in two ways. First, results are restated to show the effects of general inflation — the loss of the dollar's purchasing power — on inventories and fixed assets. The second restatement shows results restated for changes in specific prices — the current costs of replacing those assets. Your management feels that the last column in Table 1 is the more meaningful and has therefore shown, in Table 2 on page 30, five years of results on that basis, also adjusted to equivalent 1979 dollars to make the years comparable. While the techniques used are not precise, they do produce reasonable approximations.

In these earnings statements, specific adjustments are made to (1) cost of goods sold for the current cost of replacing inventories and (2) depreciation for the current costs of plant and equipment. The restatements for inventories are relatively small because GE's extensive use of LIFO accounting already largely reflects current costs in the traditional statements. However, a substantial restatement is made for the impact of inflation on fixed assets, which have relatively long lives. The \$624 million of depreciation as traditionally reported, when restated for general inflation, increases to a total of \$880 million. But the restatement necessary to reflect replacement of these assets at current costs grows to \$980 million. The net effect of these restatements lowers reported income of \$6.20 a share to \$4.68 on a general inflation-adjusted basis and \$4.34 on a specific current cost basis.

It is significant to note that for the five years 1975-1979, even after adjustment for inflation, your Company has shown real growth in earnings and a steady increase in share owners' equity over the entire period. After adjusting earnings for current costs and restating all years to equivalent 1979 dollars, your Company's average annual growth rate in real earnings was 21% since 1975 and 8% since 1976. This means that the growth in GE's earnings has been real, not just the product of inflation.

An important insight from these data is depicted in the pie charts at right. These show that, over the five years 1975-1979, because of inflation 10% more of GE's earnings were taxed away than appeared to have been the case using traditional financial statements. While the traditional earnings statements indicated an effective tax rate of 41% over this period, the "real" tax rate averaged 51% of profits before taxes. Consequently, earnings

Table 1: supplementary information – effect of changing prices (a)

(In millions, except per-share amounts)

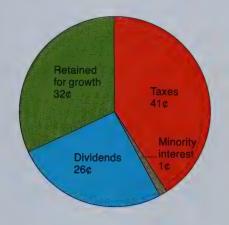
The notes on page 30 are an integral part of this statement.

For the year ended December 31, 1979	As reported in the traditional statements	Adjusted for general inflation	Adjusted for changes in specific prices (current costs) (b)
Sales of products and services to customers	\$22,461	\$22,461	\$22,461
Cost of goods sold	15,991	16,093	16,074
Selling, general and administrative expense	3,716	3,716	3,716
Depreciation, depletion and amortization	624	880	980
Interest and other financial charges	258	258	258
Other income	(519)	(519)	(519)
Earnings before income taxes and minority interest	2,391	2,033	1,952
Provision for income taxes	953	953	953
Minority interest in earnings of consolidated affiliates	29	16	13
Net earnings applicable to common stock	\$ 1,409	\$ 1,064	\$ 986
Earnings per common share	\$ 6.20	\$ 4.68	\$ 4.34 \$11,153
Share owners' equity at year end (net assets) (c)	\$ 7,362	\$10,436	ψ11,133

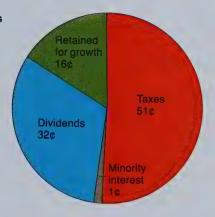
Use of each dollar of earnings

Based on total earnings before taxes 1975-1979

As reported



Adjusted for changes in specific prices (current costs)



retained for growth were cut in half to 16% of income before tax, not 32% as reflected in the traditional financial statements. Over the period, share owners received a measure of protection against inflation's impact as about two-thirds of after-tax earnings were distributed — equivalent to an average annual growth rate of about 8% in real dividends.

An area receiving special attention by management is experimentation with the use of inflation-adjusted measurements at the individual business and project level for capital budgeting. Since 1973, your Company has been experimenting with various techniques to measure the impact of inflation, to incorporate the perspectives provided by such measurements into decision-making, and to stimulate awareness by all levels of management of the need to develop constructive business strategies to deal with inflation. The objective is to ensure that investments needed for new business growth, productivity improvements and capacity expansions earn appropriate

real rates of return commensurate with the risks involved. Such supplemental measurements can assist in the entire resource allocation process, starting with initial project approval, implementation and subsequent review.

Improving productivity to offset inflationary forces is a primary goal established by top management that is being stressed throughout General Electric. As discussed on the back cover of this Annual Report, the Company has committed significant levels of resources to research and development activities to accelerate innovation and increase productivity. In addition, General Electric's production base continues to be expanded and modernized through increasing investments in plant and equipment. For example, \$1,262 million and \$1,055 million were spent on strengthening General Electric's production base in 1979 and 1978, respectively. Imaginative and diligent coupling of production techniques and equipment is critical to the maintenance and improvement of your Company's profitability.

Table 2: supplementary information - effect of changing prices (a)

(In millions, except per-share amounts)

Current cost information in dollars of 1979 purchasing	power (b)				
(All amounts expressed in average 1979 dollars)	1979	1978	1977	1976	1975
Sales of products and services to customers	\$22,461	\$21,867	\$20,984	\$20,015	\$19,022
Cost of goods sold	16,074	15,548	14,793	14,145	13,914
Selling, general and administrative expense	3,716	3,566	3,606	3,360	3,018
Depreciation, depletion and amortization	980	1,000	986	979	1,006
Interest and other financial charges	258	249	238	222	251
Other income	(519)	(466)	(467)	(350)	(235)
Earnings before income taxes and minority interest	1,952	1,970	1,828	1,659	1,068
Provision for income taxes	953	995	926	853	620
Minority interest in earnings of consolidated affiliates	13	13	20	26	26
Net earnings applicable to common stock	\$ 986	\$ 962	\$ 882	\$ 780	\$ 422
Earnings per common share	\$ 4.34	\$ 4.22	\$ 3.88	\$ 3.45	\$ 1.88
Share owners' equity at year end (net assets) (c)	\$11,153	\$11,020	\$10,656	\$10,526	\$10,056
Other inflation information					
Average Consumer Price Index (1967 = 100)	217.4	195.4	181.5	170.5	161.2
(Loss)/gain in general purchasing power of net monetary items	\$(209)	\$(128)	\$ (61)	\$ (20)	\$ 19
Dividends declared per common share	2.75	2.78	2.52	2.17	2.16
Market price per common share at year end	47 ⁷ / ₈	501/2	581/4	69 ³ / ₈	601/4

Notes to supplementary information — Tables 1 and 2

(a) This information has been prepared in accordance with requirements of the Financial Accounting Standards Board (FASB). Proper use of this information requires an understanding of certain basic concepts and definitions.

The heading "As reported in the traditional statements" refers to information drawn directly from the financial statements presented on pages 32 to 44. This information is prepared using the set of generally accepted accounting principles which renders an accounting based on the number of actual dollars involved in transactions, with no recognition given to the fact that the value of the dollar changes over time.

The heading "Adjusted for general inflation" refers to information prepared using a different approach to transactions involving inventory and property, plant and equipment assets. Under this procedure, the number of dollars involved in transactions at different dates are all restated to equivalent amounts in terms of the general purchasing power of the dollar as it is measured by the Consumer Price Index for all Urban Consumers (CPI-U). For example, \$1,000 invested in a building asset in 1967 would be restated to its 1979 dollar purchasing power equivalent of \$2,174 to value the asset and calculate depreciation charges. Similarly, 1978 purchases of non-LIFO inventory sold in 1979 would be accounted for at their equivalent in terms of 1979 dollars, rather than in terms of the actual number of dollars spent.

The heading "Adjusted for changes in specific prices (current costs)" refers to information prepared using yet another approach to transactions involving inventory and property, plant and equipment assets. In this case, rather than restating to dollars of the same general purchasing power, estimates of current costs of the assets are used.

In presenting results of either of the supplementary accounting methods for more than one year, "real" trends are more evident when results for all years are expressed in terms of the general purchasing power of the dollar for a designated period. Results of such restatements are generally called "constant dollar" presentations. In the five-year presentations shown above, dollar results for earlier periods have been restated to their equivalent number of constant dollars of 1979 general purchasing power (CPI-U basis).

Since none of these restatements is allowable for tax purposes under existing regulations, income tax amounts are the same as in the traditional statements (but expressed in constant dollars in the five-year summary).

There are a number of other terms and concepts which may be of interest in assessing the significance of the supplementary information shown in Tables 1 and 2. However, it is management's opinion that the basic concepts discussed above are the most significant for the reader to have in mind while reviewing this information.

- (b) Principal types of information used to adjust for changes in specific prices (current costs) are (1) for inventory costs, GEgenerated indices of price changes for specific goods and services, and (2) for property, plant and equipment, externally generated indices of price changes for major classes of assets
- (c) At December 31, 1979, the current cost of inventory was \$5,251 million, and of property, plant and equipment was \$7,004 million. Estimated current costs applicable to the sum of such amounts held during all or part of 1979 increased by approximately \$1,111 million, which was \$329 million less than the \$1,440-million increase which could be expected because of general inflation.

Report of management

To the Share Owners of General Electric Company

We have prepared the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1979 and 1978, and the related statements of earnings, changes in financial position and changes in share owners' equity for the years then ended, including the notes, industry and geographic segment information, and supplementary information on the effect of changing prices. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts that are based on our best estimates and judgments. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

Your Company maintains a strong system of internal financial controls and procedures, supported by a corporate staff of traveling auditors and supplemented by resident auditors located around the world. This system is designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded and reported properly. The system is time-tested, innovative and responsive to change. Perhaps the most important safeguard in this system for share owners is the fact that the Company has long emphasized the selection, training and development of professional financial managers to implement and oversee the proper application of its internal controls and the reporting of management's stewardship of corporate assets and maintenance of accounts in conformity with generally accepted accounting principles.

The independent public accountants provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. They obtain and maintain an understanding of GE's accounting and financial controls, and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of financial statements.

The Audit Committee of the Board of Directors, which is composed solely of Directors from outside the Company, maintains an ongoing appraisal of the effectiveness of audits and the independence of the public accountants. The Committee meets periodically with the public accountants, management and internal auditors to review the work of each. The public accountants have free access to the Committee, without management present, to discuss the results of their audit work and their opinions on the adequacy of internal financial controls and the quality of financial reporting. The Committee also reviews the Company's accounting policies, internal accounting controls, and the Annual Report and proxy material.

Your management has long recognized its responsibility for conducting the Company's affairs in a manner which is responsive to the ever-increasing complexity of society. This responsibility is reflected in key Company policy statements regarding, among other things, potentially conflicting outside business interests of Company employees, proper conduct of domestic and international business activities, and compliance with antitrust laws. Educational, communication and review programs are designed to ensure that these policies are clearly understood and that there is awareness that deviation from them will not be tolerated.

Segueld A Jones

Chairman of the Board and Chief Executive Officer

Senior Vice President, Finance

February 15, 1980

Report of independent certified public accountants

To the Share Owners and Board of Directors of **General Electric Company**

We have examined the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1979 and 1978, and the related statements of earnings, changes in financial position and changes in share owners' equity for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial state-

ments present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1979 and 1978, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Pear, Marwich, Mitchell + Co

Peat, Marwick, Mitchell & Co. 345 Park Avenue, New York, N.Y. 10022 February 15, 1980

Statement of earnings General Electric Company and consolidated affiliates

For the years en	ded December 31 (In millions)	1979	1978
Sales	Sales of products and services to customers (note 1)	\$22,460.6	\$19,653.8
Operating costs	Cost of goods sold Selling, general and administrative expense Depreciation, depletion and amortization Operating costs (notes 2 and 3)	15,990.7 3,715.9 624.1 20,330.7	13,915.1 3,204.4 576.4 17,695.9
	Operating margin Other income (note 4) Interest and other financial charges (note 5)	2,129.9 519.4 (258.6)	1,957.9 419.0 (224.4)
Earnings	Earnings before income taxes and minority interest Provision for income taxes (note 6) Minority interest in earnings of consolidated affiliates Net earnings applicable to common stock	2,390.7 (953.4) (28.5) \$ 1,408.8	2,152.5 (893.9) (28.9) \$ 1,229.7
	Earnings per common share (in dollars) (note 7) Dividends declared per common share (in dollars) Operating margin as a percentage of sales Net earnings as a percentage of sales	\$6.20 \$2.75 9.5% 6.3%	

The information on pages 31 and 36-44 is an integral part of this statement.

Statement of financial position General Electric Company and consolidated affiliates

At December 3	1 (In millions)	1979	1978
Assets	Cash (note 8)	\$ 1,904.3	\$ 1,992.8
	Marketable securities (note 8)	672.3	470.3
	Current receivables (note 9)	3,646.6	3,288.5
	Inventories (note 10)	3,161.3	3,003.4
	Current assets	9,384.5	8,755.0
	Property, plant and equipment (note 11) Accumulated depreciation, depletion and	9,365.2	8,328.2
	amortization (note 11)	(4,752.4)	(4,305.6)
		4,612.8	4,022.6
	Investments (note 12)	1,691.5	1,410.5
	Other assets (note 13)	955.7	847.9
	Total assets	\$16,644.5	<u>\$15,036.0</u>
Liabilities	Short-term borrowings (note 14)	\$ 871.0	\$ 960.3
and equity	Accounts payable	1,476.7	1,217.2
	Progress collections and price adjustments accrued	1,957.0	1,667.3
	Dividends payable	158.8	147.6
	Taxes accrued	655.6	532.6
	Other costs and expenses accrued (note 15)	1,752.7	1,650.2
	Current liabilities	6,871.8	6,175.2
	Long-term borrowings (note 16)	946.8	993.8
	Other liabilities	1,311.9	1,129.5
	Total liabilities	9,130.5	8,298.5
	Minority interest in equity of consolidated		
	affiliates	151.7	150.8
	Preferred stock (\$1 par value; 2,000,000 shares		
	authorized; none issued)	_	_
	Common stock (\$2.50 par value; 251,500,000		
	shares authorized; 231,463,949 shares		
	issued 1979 and 1978)	578.7	578.7
	Amounts received for stock in excess of par value	656.3	658.0
	Retained earnings	6,307.6	5,522.4
		7,542.6	6,759.1
	Deduct common stock held in treasury	(180.3)	(172.4)
	Total share owners' equity (notes 17 and 18)	7,362.3	6,586.7
	Total liabilities and equity	\$16,644.5	<u>\$15,036.0</u>
	Commitments and contingent liabilities (note 1	9)	

The information on pages 31 and 36-44 is an integral part of this statement.

Statement of changes in financial position General Electric Company and consolidated affiliates

For the years en	ded December 31 (In millions)	1979	1978
Source of funds	From operations Net earnings	\$1,408.8	\$1,229.7
	Less earnings retained by nonconsolidated finance affiliates	(16.8)	(15.7)
	Depreciation, depletion and amortization	624.1	576.4
	Income tax timing differences	(37.2)	31.9
	Minority interest in earnings of consolidated affiliates	28.5	28.9
	annates	2,007.4	1,851.2
	Increases in long-term borrowings	49.7	95.5
	Newly issued common stock	_	2.6
	Disposition of treasury shares	147.5	189.8
	Increase in current payables other than short-term	785.9	570.0
	borrowings Decrease in investments	705.9	22.8
	Other — net	147.3	176.3
	Total source of funds	3,137.8	2,908.2
Application	Additions to property, plant and equipment	1,262.3	1,055.1
of funds	Dividends declared on common stock	623.6	569.8
	Increase in investments	281.0	
	Reduction in long-term borrowings	96.7	386.0
	Purchase of treasury shares	155.4	195.7
	Increase in current receivables	358.1	305.8
	Increase in inventories	157.9	399.1
	Total application of funds	2,935.0	2,911.5
Net change	Net change in cash, marketable securities		4
	and short-term borrowings	\$ 202.8	\$ (3.3)
Analysis of	Increase in cash and marketable securities	\$ 113.5	\$ 184.9
net change	Decrease (increase) in short-term borrowings	89.3	(188.2)
		\$ 202.8	\$ (3.3)

The information on pages 31 and 36-44 is an integral part of this statement.

Statement of changes in share owners' equity General Electric Company and consolidated affiliates

For the years er	nded December 31	1979	1978	1979	1978
		(In mi	llions)	(Thousands	s of shares)
Common	Balance January 1	\$ 578.7	\$ 578.5	231,464	231,410
stock issued	New shares issued: Employee savings plans Balance December 31	578.7	0.2 578.7	231,464	54 231,464
Amounts received for stock in excess of	Balance January 1 Excess over par value of amounts received for newly issued shares Loss on disposition of treasury stock	658.0 — (1.7)	668.4 2.4 (12.8)		
par value	Balance December 31	656.3	658.0		
Retained earnings	Balance January 1	5,522.4	4,862.5		
	Net earnings	1,408.8	1,229.7		
	Dividends declared on common stock	(623.6)	(569.8)		
	Balance December 31	6,307.6	5,522.4		
Common	Balance January 1	(172.4)	(166.5)	(3,428)	(3,249)
held in treasury	Purchases Dispositions:	(155.4)	(195.7)	(3,155)	(3,838)
	Employee savings plans	124.1	116.1	2,492	2,223
	Employee Stock Ownership Plan	10.6	_	213	_
	Incentive compensation plans	7.8	8.0	152	147
	Stock options and appreciation rights Business acquisitions	5.0	7.0 58.7	101	134 1,155
	Balance December 31	(180.3)	(172.4)	(3,625)	(3,428)
	Total share owners' equity December 31	<u>\$7,362.3</u>	<u>\$6,586.7</u>	227,839	228,036

The information on pages 31 and 36-44 is an integral part of this statement.

Summary of significant accounting policies

Basis of consolidation

The financial statements consolidate the accounts of the parent General Electric Company and those of all majority-owned and controlled companies ("affiliated companies"), except finance companies whose operations are not similar to those of the consolidated group. All significant items relating to transactions among the parent and affiliated companies are eliminated from the consolidated statements.

The nonconsolidated finance companies are included in the statement of financial position under investments and are valued at equity plus advances. In addition, companies in which GE and/or its consolidated affiliates own 20% to 50% of the voting stock ("associated companies") are included under investments, valued at the appropriate share of equity plus advances. After-tax earnings of nonconsolidated finance companies and associated companies are included in the statement of earnings under other income.

A nonconsolidated uranium mining company (see note 12) is also included under investments and is valued at lower of cost or equity, plus advances.

Sales

The Company and its consolidated affiliates record a transaction as a sale only when title to products passes to the customer or when services are performed in accordance with contract terms.

Vacation expense

Most employees earn credits during the current year for vacations to be taken in the following year. The expense for this liability is accrued during the year vacations are earned rather than in the year vacations are taken.

Pensions

Investments of the General Electric Pension Trust, which funds the obligations of the General Electric Pension Plan, are carried at amortized cost plus programmed appreciation in the common stock portfolio. Recognition of programmed appreciation is carried out on a systematic basis which does not give undue weight to short-term market fluctuations. Programmed appreciation will not be recognized if average book value exceeds average market value, calculated on a moving basis over a multiyear period.

The funding program for the Pension Plan uses 6% as the estimated rate of future Trust income. This rate includes systematic recognition of appreciation in the common stock portfolio.

Unfunded prior service liabilities of the Plan are amortized over 20 years. Net actuarial gains and losses are amortized over 15 years.

Costs of a separate, supplementary pension plan, primarily affecting long-service professional and managerial

employees, are not funded. Current service costs and amortization of prior service costs over a period of 20 years are being charged to operating expenses currently.

Investment tax credit

The investment tax credit is recorded by the "deferral method" and is amortized as a reduction of the provision for taxes over the lives of the facilities to which the credit applies, rather than being "flowed through" to income in the year the asset is acquired.

Inventories

Substantially all manufacturing inventories located in the U.S. are valued on a last-in first-out, or LIFO, basis. Most manufacturing inventories outside the U.S. are generally valued on a first-in first-out, or FIFO, basis. Valuations are based on the cost of material, direct labor and manufacturing overhead, and do not exceed net realizable values. Certain indirect manufacturing expenses are charged directly to operating costs during the period incurred, rather than being inventoried.

Mining inventories, which include principally mined ore and coal, metal concentrates and mining supplies, are stated at the lower of average cost or market. The cost of mining inventories includes both direct and indirect costs consisting of labor, purchased supplies and services, and depreciation, depletion and amortization of property, plant and equipment.

Property, plant and equipment

Manufacturing plant and equipment includes the original cost of land, buildings and equipment less depreciation, which is the estimated cost consumed by wear and obsolescence. An accelerated depreciation method, based principally on a sum-of-the-years digits formula, is used to record depreciation of the original cost of manufacturing plant and equipment purchased and installed in the U.S. subsequent to 1960. Acquisitions prior to 1961, and most manufacturing plant and equipment located outside the U.S., are depreciated on a straight-line basis. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided. Expenditures for maintenance and repairs of manufacturing plant and equipment are charged to operations as incurred.

The cost of mining properties includes initial expenditures and cost of major rebuilding projects which substantially increase the useful lives of existing assets. The cost of mining properties is depreciated, depleted or amortized over the useful lives of the related assets by use of unit-of-production, straight-line or declining-balance methods.

Mining exploration costs are expensed until it is determined that the development of a mineral deposit is likely to be economically feasible. After this determination is made, all costs related to further development, including financing costs of identifiable new borrowings associated with the development of new mining projects, are capitalized. Amortization of such costs begins upon commencement of production and is over ten years or the productive life of the property, whichever is less.

Oil and gas properties are accounted for by use of the full-cost method.

Notes to financial statements

1. Sales

Approximately one-eighth of sales were to agencies of the U.S. government, which is the Company's largest single customer. The principal source of these sales was the Technical Systems and Materials segment of the Company's business.

2. Operating costs

Operating costs by major expense categories are shown below:

(In millions)	1979	1978
Employee compensation, including benefits	\$ 8,285.4	\$ 7,401.3
Materials, supplies, services and other costs	11,320.0	9,866.7
Depreciation, depletion and amortization	624.1	576.4
Taxes, except Social Security and those on income	259.1	250.6
Increase in inventories during the year	(157.9)	(399.1)
	\$20,330.7	\$17,695.9
Supplemental details are as follows	:	
(In millions)	1979	1978
Maintenance and repairs	\$774.6	\$671.5
Company-funded research and development	640.0	520.8
Social Security taxes	471.3	397.0

Foreign currency translation gains, after recognizing related income tax effects and minority interest share, were \$11.8 million in 1979 and \$12.1 million in 1978.

247.4

198.0

78.8

281.9

221.8

81.5

3. Employee benefits

Mineral royalties and export duties

Advertising

Rent

General Electric and its affiliates have a number of pension plans, the total Company cost of which was \$412.9 million in 1979 and \$381.4 million in 1978. The most significant of these plans is the General Electric Pension Plan, in which substantially all employees in the U.S. are participating. Individuals receiving benefits under the Pension Plan totaled 75,700 and 72,100 at December 31, 1979 and 1978, respectively, and obligations of the Plan are funded through the GE Pension Trust.

Earnings of the Trust, including the programmed recognition of appreciation, as a percentage of book value of the portfolio, were 8.4% for 1979 and 7.8% for 1978.

Unfunded liabilities of the Pension Plan were estimated to be \$815 million at December 31,1979, compared with \$639 million at the end of 1978, the increase resulting primarily from amendments to the Pension Plan which were effective in 1979. Unfunded vested liabilities included in these amounts were \$706 million and \$534 mil-

lion at December 31, 1979 and 1978, respectively. Estimated market value of Trust assets at the end of 1979 was \$4,968 million and \$4,202 million at the end of 1978.

It is estimated that amendments to the Pension Plan effective January 1, 1980, will result in increases of \$90 million in the Plan's unfunded liabilities.

Financial statements of the Pension Trust appear below:

General Electric Pension Trust

Operating statement Total assets at January 1 \$4,328.9 \$3,818.7 Company contributions 340.7 316.6 Employee contributions 94.3 83.3 Dividends, interest and sundry income 294.3 234.9 Common stock appreciation: 21.1 0.7 Realized 21.1 0.7 Accrued 67.1 75.9 Total programmed 88.2 76.6 Pensions paid (224.9) (201.2) Total assets at December 31 \$4,921.5 \$4,328.9 Financial position — December 31 U.S. government obligations and guarantees \$ 133.0 \$ 103.5 Corporate bonds and notes 547.0 356.0
Company contributions 340.7 316.6 Employee contributions 94.3 83.3 Dividends, interest and sundry income 294.3 234.9 Common stock appreciation: 21.1 0.7 Realized 67.1 75.9 Accrued 67.1 75.9 Total programmed 88.2 76.6 Pensions paid (224.9) (201.2) Total assets at December 31 \$4,921.5 \$4,328.9 Financial position — December 31 U.S. government obligations and guarantees \$133.0 \$103.5
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Total programmed Pensions paid Total assets at December 31 Financial position — December 31 U.S. government obligations and guarantees Section 2
Pensions paid (224.9) (201.2) Total assets at December 31 \$4,921.5 \$4,328.9 Financial position — December 31 U.S. government obligations and guarantees \$133.0 \$103.5
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Financial position — December 31 U.S. government obligations and guarantees \$ 133.0 \$ 103.5
U.S. government obligations and guarantees \$ 133.0 \$ 103.5
U.S. government obligations and guarantees \$ 133.0 \$ 103.5
guarantees \$ 133.0 \$ 103.5
0
Corporate boride and notes
Real estate and mortgages 819.0 770.0
Common stocks and convertibles 2,974.4 2,781.5
4,473.4 4,011.0
Cash and short-term investments 371.5 240.2
Other assets — net $\frac{76.6}{24.0000}$
Total assets \$4,921.5 \$4,328.9
Funded liabilities:
Liability to pensioners \$1,874.5 \$1,638.7
Liability for pensions to
participants not yet retired 3,047.0 2,690.2
Total funded liabilities \$4,921.5 \$4,328.9

Costs of the separate supplementary pension plan were \$39.1 million in 1979 and \$35.3 million in 1978. Unamortized costs for this supplementary plan were \$267 million and \$243 million at December 31, 1979 and 1978, respectively.

Utah has separate pension plans which are substantially fully funded and the costs of which are included in the total Company costs reported above.

Incentive compensation plans were participated in by over 4,000 key employees. Amounts included in costs and expenses for incentive compensation were \$56.0 million in 1979 and \$47.8 million in 1978.

4. Other income

(In millions)	1979	1978
Net earnings of GE Credit Corporation	\$ 89.9	\$ 77.3
Income from:		
Marketable securities and bank deposit	s 228.8	140.4
Customer financing	70.3	48.6
Royalty and technical agreements	49.7	44.3
Associated companies and non-		_
consolidated uranium mining affiliate	11.2	33.7
Other investments:		
Interest	20.5	18.6
Dividends	10.8	10.5
Other sundry items	38.2	45.6
Cinor canaly name	\$519.4	\$419.0

Other sundry items include gains from sales of marketable equity securities of \$6.5 million in 1978.

5. Interest and other financial charges

Amounts applicable to principal items of long-term borrowings were \$97.6 million in 1979 and \$98.0 million in 1978.

6. Provision for income taxes

(In millions)	1979	1978
U.S. federal income taxes: Estimated amount payable Effect of timing differences Investment credit deferred — net	\$598.9 (31.3) <u>45.4</u> 613.0	\$590.4 (13.5) 24.9 601.8
Foreign income taxes: Estimated amount payable Effect of timing differences	323.2 (5.9) 317.3	221.1 45.4 266.5
Other (principally state and local income taxes)	23.1 \$953.4	25.6 \$893.9

All U.S. federal income tax returns have been closed through 1971.

Provision has been made for federal income taxes to be paid on that portion of the undistributed earnings of affiliates and associated companies expected to be remitted to the parent company. Undistributed earnings intended to be reinvested indefinitely in affiliates and associated companies totaled \$944 million at the end of 1979 and \$815 million at the end of 1978.

Changes in estimated foreign income taxes payable and in the effect of timing differences result principally from increased foreign earnings and tax rates, and from recognizing in 1979 for tax payment purposes the results of transactions in Australia recorded for financial reporting purposes in other periods.

Investment credit amounted to \$75.9 million in 1979, compared with \$50.7 million in the prior year. In 1979, \$30.5 million was added to net earnings, compared with \$25.8 million in 1978. At the end of 1979, the amount still deferred and to be included in net earnings in future years was \$206.7 million.

Effect of timing differences on U.S. federal income taxes

(In millions) Increase (decrease) in provision for income taxes	1979	1978
Tax over book depreciation	\$ 22.7	\$ 25.5
Undistributed earnings of affiliates		
and associated companies	(2.1)	8.0
Margin on installment sales	(9.9)	(10.1)
Provision for warranties	(36.1)	(31.1)
Other — net	(5.9)	(5.8)
	\$(31.3)	\$(13.5)

The cumulative net effect of timing differences has resulted in a deferred-tax asset which is shown under other assets.

Reconciliation from statutory to effective

income tax rates	1979	1978
U.S. federal statutory rate	46.0%	48.0%
Reduction in taxes resulting from:		
Varying tax rates of consolidated		45.4
affiliates (including DISC)	(3.3)	(3.4)
Inclusion of earnings of the		
Credit Corporation in before-tax		
income on an after-tax basis	(1.7)	(1.7)
Investment credit	(1.3)	(1.2)
Income tax at capital gains rate	_	(0.6)
Other — net	0.2	0.4
Effective tax rate	<u>39.9</u> %	41.5%

7. Earnings per common share

Earnings per share are based on the average number of shares outstanding. Any dilution which would result from the potential exercise or conversion of such items as stock options or convertible debt outstanding is insignificant (less than 1% in 1979 and 1978).

8. Cash and marketable securities

Time deposits and certificates of deposit aggregated \$1,675.1 million at December 31, 1979, and \$1,746.8 million at December 31, 1978. Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities (none of which are equity securities) are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value at year-end 1979 and 1978. Included at year-end 1979 were U.S. treasury obligations of \$470.3 million (\$393.7 million in 1978).

9. Current receivables

1979	1978
\$3,254.6	\$2,922.3
35.8	27.8
6.9	2.8
438.7	414.1
3,736.0	3,367.0
(89.4)	<u>(78.5</u>)
\$3,646.6	\$3,288.5
	\$3,254.6 35.8 6.9 438.7 3,736.0 (89.4)

10. Inventories

(In millions) December 31	1979	1978
Raw materials and work in process	\$1,943.5	\$1,802.3
Finished goods	965.7	943.0
Unbilled shipments	252.1	258.1
	\$3,161.3	\$3,003.4

About 80% of total inventories are in the United States. If the FIFO method of inventory accounting had been used by the Company, inventories would have been \$1,949.8 million higher than reported at December 31, 1979 (\$1,519.0 million higher than reported at December 31, 1978).

11 Property, plant and equipment

11. Property, plant and equipmen	τ	
(In millions)	1979	1978
Major classes at December 31:		
Manufacturing plant and equipment		
Land and improvements	\$ 124.7	\$ 123.5
Buildings, structures and related equipment	2,098.5	1,983.8
Machinery and equipment	5,314.2	4,737.0
Leasehold costs and manufac-	0,011.2	1,10110
turing plant under construction	371.8	232.4
Mineral property, plant and	4 450.0	4 054 5
equipment	1,456.0	1,251.5
	\$9,365.2	\$8,328.2
Cost at January 1	\$8,328.2	\$7,514.5
Additions	1,262.3	1,055.1
Dispositions 21	(225.3)	(241.4) \$8,328.2
Cost at December 31	\$9,365.2	90,320.2
Accumulated depreciation, depletion	n	
and amortization	¢4.005.6	£2.020.4
Balance at January 1	\$4,305.6 624.1	\$3,930.4 576.4
Current-year provision	(188.2)	(191.1)
Dispositions Other changes	10.9	(10.1)
Balance at December 31	\$4,752.4	\$4,305.6
Property, plant and equipment less depreciation, depletion and		
amortization at December 31	\$4,612.8	\$4,022.6
12. Investments		
(In millions) December 31	1979	1978
Nonconsolidated finance affiliates	\$ 824.0	\$ 683.6
Nonconsolidated uranium mining		00.7
affiliate	<u> 157.5</u>	86.7
Miscellaneous investments (at cost):		
Government and government-	233.1	241.4
guaranteed securities Other	147.5	119.1
Other	380.6	360.5
Marketable equity securities	44.0	37.4
Associated companies	301.3	257.1
Less allowance for losses	(15.9)	(14.8)
	\$1,691.5	\$1,410.5

Condensed consolidated financial statements for the General Electric Credit Corporation (the principal nonconsolidated finance affiliate) are shown below. More detailed information is available in General Electric Credit Corporation's 1979 Annual Report, copies of which may be obtained by writing to: General Electric Credit Corporation, P.O. Box 8300, Stamford, Connecticut 06904.

General Electric Credit Corporation Financial position

(In millions) December 31	1979	1978
Cash and marketable securities	\$ 373.8	\$ 367.5
Receivables:		
Time sales and loans	7,480.3	6,052.7
Deferred income	<u>(1,124.1</u>)	(843.9)
	6,356.2	5,208.8
Investment in leases	1,207.1	1,031.7
Sundry receivables	140.6	78.1
Total receivables	7,703.9	6,318.6
Allowance for losses	(231.2)	(199.3)
Net receivables	7,472.7	6,119.3
Other assets	321.3	171.9
Total assets	\$8,167.8	\$6,658.7
Notes payable:		
Due within one year	\$3,921.0	\$2,953.0
Long-term — senior	1,743.0	1,571.1
— subordinated	324.8	325.5
Other liabilities	631.3	513.7
Total liabilities	6,620.1	5,363.3
Deferred income taxes	718.0	615.7
Deferred investment tax credit	13.3	3.2
Capital stock	566.4	443.7 11.5
Additional paid-in capital	11.5	221.3
Retained earnings	238.5	676.5
Equity Tatal liabilities, deformed tox	816.4	070.5
Total liabilities, deferred tax items and equity	\$8,167.8	\$6,658.7
	===	
Current and retained earnings		
(In millions) For the year	1979	1978
Earned income	\$1,102.4	\$ 813.6
Expenses:		
Interest and discount	528.2	336.7
Operating and administrative	395.6	315.1
Provision for losses — receivables	69.4	56.4
— other assets	(1.8)	8.0
Provision for income taxes	21.1	20.1
	1,012.5	736.3
Net earnings	89.9	77.3
Less dividends	(72.7)	(61.8)
Retained earnings at January 1	221.3	205.8
Retained earnings at December 31	\$ 238.5	\$ 221.3

Investment in the nonconsolidated uranium mining affiliate consists of investment in a wholly owned affiliate (established in the course of obtaining a U.S. Department of Justice Business Advisory Clearance Procedure Letter in connection with the 1976 Utah merger) to which all of the then existing uranium business of Utah has been transferred. All common stock of this affiliate has been placed in a voting trust controlled by independent voting trustees. Prior to the year 2000, General Electric and its

affiliates may not withdraw the common stock from the voting trust except for sale to unaffiliated third parties. Directors and officers of the affiliate may not be directors, officers, or employees of General Electric, Utah or of any of their affiliates. Uranium may not be sold by this affiliate, in any state or form, to, or at the direction of, General Electric or its affiliates.

All outstanding shares of preferred stock of the uranium affiliate are retained by Utah as an affiliate of General Electric. Payment of cumulative quarterly dividends out of legally available funds on this preferred stock is mandatory in amounts equal to 85% of the affiliate's net after-tax income for the previous quarter (without taking account of any deduction for exploration expense as defined). Utah, as holder of the preferred stock, must make loans with up to ten-year maturities when requested by the affiliate, although the aggregate amount of such loans need not at any time exceed preferred dividend payments for the immediately preceding two calendar years.

The estimated realizable value of miscellaneous investments was \$350 million at December 31, 1979 and 1978.

Marketable equity securities are valued at the lower of cost or market. Aggregate market value of marketable equity securities was \$181 million and \$173 million at year-end 1979 and 1978, respectively. At December 31, 1979, gross unrealized gains on marketable equity securities were \$137 million.

Investments in nonconsolidated affiliates and associated companies included advances of \$122.6 million at December 31,1979 (\$51.0 million at December 31, 1978).

13. Other assets

(In millions) December 31	1979	1978
Long-term receivables	\$307.2	\$286.6
Deferred charges	144.8	128.7
Recoverable engineering costs on government contracts	121.4	98.9
Customer financing	106.7	101.7
Deferred income taxes	98.0	75.3
Real estate development projects	80.8	79.0
Licenses and other intangibles — net	52.2	40.9
Other	44.6	36.8
	\$955.7	\$847.9

Licenses and other intangibles acquired after October 1970 are being amortized over appropriate periods of time.

14. Short-term borrowings

The average balance of short-term borrowings, excluding the current portion of long-term borrowings, was \$705.2 million during 1979 (calculated by averaging all monthend balances for the year) compared with an average balance of \$71.4.8 million in 1978. The maximum balance included in these calculations was \$726.9 million and \$747.6 million at the end of March 1979 and August 1978, respectively. The average effective interest rate for the year 1979 was 17.6% and for 1978 was 14.3%. These average rates represent total short-term interest expense divided by the average balance outstanding. A summary of short-term borrowings and the applicable interest rates is shown above at right.

Short-term borrowings

(In millions) December 31	19	79	19	1978	
	Amount	Average rate at Dec. 31	Amount	Average rate at Dec. 31	
Parent notes with trust departments	\$289.7	12.62%	\$302.4	10.24%	
Consolidated affiliate bank borrowings Other, including current	389.4	27.10	362.4	20.58	
portion of long-term borrowings	191.9 \$871.0		295.5 \$960.3		

Parent borrowings are from U.S. sources. Borrowings of consolidated affiliated companies are primarily from foreign sources. Current portion of long-term borrowings for 1978 includes General Electric 6½% Debentures (\$125.0 million) retired in July 1979, and Utah 7½% Guaranteed Notes (\$20.0 million) retired in March 1979. Other borrowings include amounts from nonconsolidated affiliates of \$64.8 million in 1979 (\$59.4 million in 1978).

Although the total unused credit available to the Company through banks and commercial credit markets is not readily quantifiable, informal credit lines in excess of \$1 billion had been extended by approximately 100 U.S. banks at year end.

15. Other costs and expenses accrued

The balance at the end of 1979 included compensation and benefit costs accrued of \$640.9 million and interest expense accrued of \$35.2 million. At the end of 1978, compensation and benefit costs accrued were \$572.8 million and interest expense accrued was \$35.2 million.

16. Long-term borrowings

(In millions) Outstanding December 31	1979	1978	Due date	Sinking fund/ prepayment period
General Electric Company:				
53/4% Notes	\$ 68.8	\$ 75.0	1991	1972-90
5.30% Debentures	80.5	100.9	1992	1973-91
7½% Debentures	149.3	156.5	1996	1977-95
81/2% Debentures	295.0	300.0	2004	1985-03
Utah International Inc.:				
Notes with banks	4.9	22.7	1981	1978-81
8% Guaranteed Sinking				
Fund Debentures	16.6	17.8	1987	1977-87
7.6% Notes	32.0	36.0	1988	1974-88
Other	24.8	26.2		
General Electric Overseas				
Capital Corporation:			4005	4070.04
41/4% Bonds	23.9	26.9	1985	1976-84
41/4% Debentures	50.0	50.0	1987	None
5½% Sterling/				
Dollar Guaranteed	7.9	7.4	1993	None
Loan Stock	37.4	37.0	1000	140110
Other	155.7	137.4		
All other	¢0.46.9	\$993.8		
	\$940.8	ψ993.6		

The amounts shown above are after deduction of the face value of securities held in treasury as shown above right.

Face value of long-term borrowings in treasury

(In millions) December 31	1979	1978
General Electric Company:		
5.30% Debentures	\$49.5	\$39.1
71/2% Debentures	, 29.0	29.0
81/2% Debentures	, 5.0	
General Electric Overseas Capital		
Corporation:		
41/4% Bonds	7.1	6.0

General Electric 5.30% Debentures having a face value of \$10.0 million in 1979 and 1978, and a reacquired cost of \$7.8 million in 1979 and \$7.6 million in 1978, and General Electric 71/2% Debentures having a face value of \$7.3 million in 1979 and 1978, and a reacquired cost of \$7.0 million in 1979 and \$6.6 million in 1978, were retired in accordance with sinking fund provisions. General Electric 53/4% Notes having a face value of \$6.2 million (\$6.3 million in 1978) were retired in accordance with prepayment provisions.

Utah International Inc. notes with banks are payable in varying installments to 1981 and were subject to average interest rates at year-end 1979 and 1978 of 7.9% and 8.4%, respectively.

Borrowings of General Electric Overseas Capital Corporation are unconditionally guaranteed by General Electric as to payment of principal, premium if any, and interest. This Corporation primarily assists in financing capital requirements of foreign companies in which General Electric has an equity interest, as well as financing certain customer purchases.

Borrowings include 41/4% Guaranteed Debentures due in 1987, which are convertible until June 15, 1987, into General Electric common stock at \$80.75 a share, and 51/2% Sterling/Dollar Guaranteed Loan Stock due in 1993 in the amount of £3.6 million (\$7.9 million), convertible into GE common stock at \$73.50 a share. During 1979 and 1978, General Electric Overseas Capital Corporation 41/4% Guaranteed Bonds having a face value of \$1.9 million and a reacquired cost of \$1.5 million were retired in accordance with sinking fund provisions.

All other long-term borrowings were largely by foreign and real estate development affiliates with various interest rates and maturities.

Long-term borrowing maturities during the next five years, including the portion classified as current, are \$124.9 million in 1980, \$92.6 million in 1981, \$46.3 million in 1982, \$31.2 million in 1983, and \$45.6 million in 1984. These amounts are after deducting reacquired debentures held in treasury for sinking fund requirements.

17. Share owners' equity

Common stock held in treasury at December 31, 1979, included 1,785,656 shares for the deferred compensation provisions of incentive compensation plans (1,629,911 shares at December 31, 1978). These shares are carried at market value at the time of allotment, which amounted to \$87.6 million and \$80.0 million at December 31, 1979 and 1978, respectively. The liability is recorded under other liabilities. Other common stock in treasury, which is carried at cost, aggregated 1,839,762 and 1,797,806

shares at December 31, 1979 and 1978, respectively. These shares are held for future corporate requirements, including distributions under employee savings plans, incentive compensation awards and possible conversion of General Electric Overseas Capital Corporation convertible indebtedness. The maximum number of shares required for conversions was 737,725 at December 31, 1979 and 1978. Corporate requirements of shares for benefit plans and conversions may be met either from unissued shares or from shares in treasury.

Retained earnings at year-end 1979 included approximately \$246.2 million (\$232.4 million at December 31, 1978) representing the excess of earnings of nonconsolidated affiliates over dividends received since their formation. In addition, retained earnings have been reduced by \$4.6 million (\$4.0 million at December 31, 1978), which represents the change in equity in associated companies since acquisition.

18. Stock option plans and performance units

The plan approved by the share owners in 1978, and previous plans under which options remain outstanding, provide continuing incentives for more than 600 employees. Option price under these plans is the full market value of GE common stock on date of grant. Employees can only exercise options to the extent that installments have matured, normally annually, over a period of four years under the 1978 plan and nine years under prior plans.

The 1973 plan provided, and the 1978 plan provides, for granting stock appreciation rights to holders of options under present and past plans, which permit them to surrender exercisable options or a portion of an option in exchange for an amount equal to the excess of the market price of the common stock on the date the right is exercised over the option price. The Management Development and Compensation Committee (Committee) of the Board of Directors determines whether this amount will be distributed in GE shares, cash or both.

The 1978 plan provides for granting performance units as a means of awarding incentive remuneration to plan participants in lieu of options and stock appreciation rights. Performance units are granted for award periods not exceeding five calendar years, with an achievable value fixed by the Committee at the date of grant which does not exceed 90% of the fair market value of GE common stock on that date. The Committee also sets principal and minimum targets to be achieved and determines the value actually assigned to performance units at the end of the award period in relation to the degree to which the principal target has been achieved. Failure to achieve the minimum target renders the performance unit valueless. Even if the targets are achieved, performance units will only be paid when, if, and to the extent the Committee determines to make payment. No performance units have been paid to date.

At the end of 1979, there were 3,684,472 shares available for the 1978 plan and 2,905,912 shares covered by outstanding options granted under prior plans, for a total of 6,590,384 shares. Of this total amount, 1,997,734 shares were subject to exercisable options, 2,761,194 shares were under options not yet exercisable, and

Industry segment information

1,831,456 shares were available for granting options in the future. Appreciation rights relating to unexpired options for 1,957,903 and 1,652,494 shares were outstanding at December 31, 1979 and 1978, respectively. Performance units with an average per-unit maximum achievable value of \$29.01 relating on a one-to-one basis to unexpired options for 1,839,304 shares were outstanding at December 31, 1979. The number of shares available for granting options at the end of 1978 was 2,706,577. A summary of stock option transactions during the last two years is shown below:

		Average	e per snare
Stock options	Shares subject to option	Option price	Market price
Balance at Jan. 1, 1978	3,388,933	\$51.26	\$49.75
Options granted	1,123,107	50.60	50.60
Options exercised	(132,921)	43.93	53.21
Options surrendered on exer-			
cise of appreciation rights	(71,325)	43.64	51.85
Options terminated	(218,941)	52.87	_
Balance at Dec. 31, 1978	4,088,853	51.37	47.13
Options granted	1,023,122	46.25	46.25
Options exercised	(98,145)	40.63	50.14
Options surrendered on exer-			
cise of appreciation rights	(68,834)	40.52	49.17
Options terminated	(186,068)	50.77	
Balance at Dec. 31, 1979	4,758,928	50.67	50.63

19. Commitments and contingent liabilities

Lease commitments and contingent liabilities, consisting of guarantees, pending litigation, taxes and other claims, in the opinion of management, are not considered to be material in relation to the Company's financial position.

20. Operations by quarter for 1979 and 1978 (unaudited)

(Dollar amounts in millions; per-share amounts in dollars)	First quarter	Second quarter	Third quarter	Fourth quarter
1979:				
Sales of products and services to customers	\$5,081.6	\$5,642.3	\$5,608.8	\$6,127.9
Operating margin	470.5	597.9	510.7	550.8
Net earnings	303.4	382.1	340.8	382.5
Net earnings per common share	1.33	1.69	1.50	1.68
1978:				
Sales of products and services to customers	\$4,443.4	\$4,963.8	\$4,842.9	\$5,403.7
Operating margin	413.4	520.3	464.1	560.1
Net earnings	247.8	319.4	298.9	363.6
Net earnings per common share	1.09	1.40	1.31	1.59

(In millions)

Revenues

Consumer products and services Net earnings of GE Credit Corporation Total consumer products and services Industrial products and components Power systems Technical systems and materials Natural resources Foreign multi-industry operations General corporate items and eliminations Total

Segment operating profit and net earnings

Consumer products and services Net earnings of GE Credit Corporation Total consumer products and services Industrial products and components Power systems Technical systems and materials Natural resources Foreign multi-industry operations Total segment operating profit General corporate items and eliminations Interest and other financial charges

Assets and property, plant and equipment

Consumer products and services Investment in GE Credit Corporation Total consumer products and services Industrial products and components Power systems Technical systems and materials Natural resources Foreign multi-industry operations General corporate items and eliminations Total

Consumer Products and Services consists of major appliances, air conditioning equipment, lighting products, housewares and audio products and services, television receivers, and broadcasting and cablevision services. It also includes service operations for major appliances, air conditioners, GE TV receivers, and housewares and audio products.

Total

*Restated - See page 44.

Revenues

For the years ended December 31

Total revenues			Intersegment sales			Exteri	nal sales and other	income
1979	1978	1977	1979	1978	1977	1979	1978	1977
\$ 5,357.8	\$ 4,787.8	\$ 4,148.1	\$ 199.1	\$ 188.6	\$181.9	\$ 5,158.7	\$ 4,599.2	\$ 3,966.2
89.9	77.3	67.2	_		_	89.9	77.3	67.2
5,447.7	4,865.1	4.215.3	199.1	188.6	181.9	5,248.6	4,676.5	4,033.4
4,802.8	4.123.8	3,698.1	507.8	468.5	431.5	4,295.0	3,655.3	3,266.6
3,564.4	3,485.7	3,217.6	209.9	174.4	153.9	3,354.5	3,311.3	3,063.7
6,060.8	4,744.6	4,144.6	255.0	189.0	148.0	5,805.8	4,555.6	3,996.6
1,260.3	1,032.2	965.1				1,260.3	1,032.2	965.1
2,900.5	2,767.3	2,562.1	63.5	55.3	49.4	2,837.0	2,712.0	2,512.7
(1,056.5)	(945.9)	(893.9)	(1,235.3)	(1,075.8)	(964.7)	178.8	129.9	70.8
\$22,980.0	\$20,072.8	\$17,908.9	\$	\$	\$	\$22,980.0	\$20,072.8	\$17,908.9

Segment operating profit

For the years ended December 31

For the years ended December of								
1979	1978	1977						
\$ 567.7	\$ 573.3	\$ 482.8						
89.9	77.3	67.2						
657.6	650.6	550.0						
484.9	426.3	366.7						
173.7	196.3	162.7						
672.1	545.3	473.7						
431.1	371.5	389.2						
240.8	244.9	210.8						
2,660.2	2,434.9	2,153.1						
(10.9)	(58.0)	(64.8)						
(258.6)	(224.4)	(199.5)						
\$2,390.7	\$2,152.5	\$1,888.8						

Net earnings

For the years ended December 31								
	1979		1978		1977			
\$	310.8	\$	300.2	\$	255.9			
	89.9		77.3		67.2			
	400.7		377.5		323.1			
	271.8		222.5		191.1			
	113.9		93.2*		75.5			
	356.2		277.8		247.5			
	207.5		180.1		196.2			
	64.6		75.5*		70.6			
	(5.9)		3.1*		(15.8)			
\$1	 1,408.8	\$1	1,229.7	\$1	,088.2			

Assets

At December 31

1979	1978	1977
\$ 2,156.8	\$ 2,018.5	\$ 1,791.9
817.2	677.3	600.0
2,974.0	2,695.8	2,391.9
2,328.9	2,125.1	1,925.1
2,135.0	2,104.6	2,152.8
3,422.1	2,682.7	2,128.3
1,679.4	1,489.3	1,386.0
2,258.8	2,099.6	1,849.0
1,846.3	1,838.9	1,863.7
\$16,644.5	\$15,036.0	\$13,696.8

Property, plant and equipment

For the years ended December 31

	Additions		Depreciation, depletion and amortization				
1979	1978	1977	1979	1978	1977		
\$ 207.6	\$ 169.0	\$127.0	\$114.9	\$104.2	\$101.0		
	_	*****	_				
207.6	169.0	127.0	114.9	104.2	101.0		
176.3	165.6	147.7	105.5	91.1	83.8		
101.1	84.3	81.6	83.6	78.7	73.2		
443.7	289.2	203.8	163.4	149.6	126.3		
201.2	212.5	131.6	83.4	77.5	69.9		
108.9	118.9	115.9	61.4	63.8	52.7		
23.5	15.6	14.9	11.9	11.5	15.2		
\$1,262.3	\$1,055.1	\$822.5	\$624.1	\$576.4	\$522.1		
					====		

General Electric Credit Corporation, a wholly owned nonconsolidated finance affiliate, engages primarily in consumer, commercial and industrial financing, principally in the U.S. It also participates, to a lesser degree, in life insurance and fire and casualty insurance activities. Products of companies other than General Electric constitute a major portion of products financed by GECC.

Industrial Products and Components includes components (appliance controls, small motors and electronic components); industrial capital equipment (construction, automation and transportation); maintenance, inspection, repair and rebuilding of electric, electronic and mechanical apparatus; and a network of supply houses offering products of General Electric and other manufacturers.

Power Systems includes steam turbine-generators, gas turbines, nuclear power reactors and nuclear fuel assemblies, transformers, switchgear, meters, and installation and maintenance engineering services.

Technical Systems and Materials consists of jet engines for aircraft, industrial and marine applications; electronic and other high-technology products and services primarily for aerospace applications and defense; materials (engineered plastics, silicones, industrial cutting materials, laminated and insulating materials, and batteries); medical and communications equipment; and time sharing, computing, and remote data processing.

Natural Resources includes the mining of coking coal (principally in Australia), uranium, steam coal, iron, and copper. In addition, it includes oil and natural gas production, ocean shipping (primarily in support of mining operations) and land acquisition and development.

Foreign Multi-industry Operations consists principally of foreign affiliates which manufacture products primarily for sale in their respective home markets.

Net earnings for industry segments in prior Annual Reports included allocation of corporate interest income, expense and other financial charges to parent company components based principally on cash flow. Commencing in 1979, the allocation of these items to parent company components has been changed for internal corporate purposes, and also for industry segment reporting purposes, to a method based on change in individual component average nonfixed investment. Net earnings amounts by industry segment for 1979 reflect the revised method. For comparative purposes, 1978 amounts have been restated downward for Power Systems and Foreign Multi-industry Operations by \$8.9 million and \$1.9 million, respectively, with an offsetting increase in general corporate items and eliminations. The impact of the change would not be material to the amount of, or trend in, earnings of other industry segments for 1978 or to amounts and trends reported for years prior to 1978 for any industry segment. Therefore, no other restatements have been made.

Other allocation procedures for computing net earnings are unchanged. Interest and other financial charges of affiliated companies recognize that such companies generally service their own debt. General corporate expenses are allocated principally on the basis of cost of operations, with certain exceptions and reductions which recognize the varying degrees to which affiliated companies maintain their own corporate structures. In addition, provision for income taxes (\$953.4 million in 1979, \$893.9 million in 1978) is allocated based on the total corporate effective tax rate, except for GECC and Natural Resources, whose income taxes are calculated separately. Minority interest (\$28.5 million in 1979, \$28.9 million in 1978) is allocated to operating components having responsibility for investments in consolidated affiliates.

In general, it is GE's policy to price internal sales as nearly as practicable to equivalent commercial selling prices.

Geographic segment information

(In millions)	Revenues For the years	ended Decemb	per 31						
		Total revenues	3	Int	ersegment sale	es ,	Externa	I sales and other	erincome
	1979	1978	1977	1979	1978	1977	1979	1978	1977
United States	\$18.859.2	\$16,443.1	\$14,560.4	\$466.9	\$362.6	\$340.3	\$18,392.3	\$16,080.5	
Far East including Australia	1,182.8	1,108.8	1,056.2	279.5	241.8	204.0	903.3	867.0	852.2
Other areas of the world	3,813.8	3,270.4	2,916.7	129.4	145.1	80.1	3,684.4	3,125.3	2,836.6
Elimination of intracompany	V								
transactions	(875.8)	(749.5)	(624.4)	<u>(875.8</u>)	<u>(749.5</u>)	(624.4)			
Total	\$22,980.0	\$20,072.8	\$17,908.9	<u> </u>	<u>\$ —</u>	<u>\$</u>	\$22,980.0	\$20,072.8	\$17,908.9

Geographic segment information is based on the location of the operation furnishing goods or services. Included in United States revenues were export sales to unaffiliated customers of \$2,772.1 million in 1979, \$2,570.7 million in 1978 and \$2,101.2 million in 1977. Of such sales, \$1,581.3 million in 1979 (\$1,661.9 million in

1978 and \$1,216.9 million in 1977) were to customers in Europe, Africa and the Middle East; and \$741.2 million in 1979 (\$498.1 million in 1978 and \$574.2 million in 1977) were to customers in the Far East including Australia. U.S. revenues also include royalty and licensing income from unaffiliated foreign sources.

	Net earnings For the years ended December 31				
	1979	1978	1977		
United States	\$1,119.8	\$ 960.6	\$ 846.3		
Far East including Australia	173.9	170.1	161.6		
Other areas of the world	119.5	103.6	83.5		
Elimination of intracompany					
transactions	(4.4)	(4.6)	(3.2)		
Total	\$1,408.8	\$1,229.7	\$1,088.2		

Revenues, net earnings and assets associated with foreign operations are shown in the tabulations above. At December 31, 1979, foreign operation liabilities, minority interest in equity and GE interest in equity were \$2,101.1 million, \$139.0 million and \$1,809.1 million, respectively. On a comparable basis, the

amounts were \$1,909.4 million, \$150.3 million and \$1,655.6 million, respectively, at December 31, 1978, and \$1,798.7 million, \$131.3 million and \$1,356.0 million, respectively, at December 31, 1977.

Management's discussion and analysis of statement of earnings

General: The financial statements and related notes provide detailed information about operating results, financial position, and changes therein, for the years 1979 and 1978. Summary data for the last ten years are on pages 46 and 47.

Because of the diversity of the Company's business, comments about the relative impact of physical volume and selling prices on year-to-year changes in sales can only be generalized. However, it is estimated that greater volume accounted for somewhat more than one-half of the increase of \$2.8 billion, or 14%, in 1979 sales from 1978. Sales for 1978 increased \$2.1 billion (12%) from 1977, and it is estimated that about two-thirds of the increase resulted from higher volume.

Operating costs are summarized in the table on pages 46 and 47. Principal elements of operating costs for 1979 and 1978 are in note 2 to the financial statements. Despite good productivity gains, increased material and labor costs had some adverse impact on the operating margin rate, which was 9.5% in 1979 compared with 10.0% in 1978 and 9.7% in 1977. However, operating margin dollars in 1979 were \$172.0 million higher than in 1978, which were \$259.9 million higher than in 1977.

Other income from a variety of operating and nonoperating sources was \$519.4 million, or 24%, more in 1979 than in 1978. Major sources of other income are shown in note 4 to the financial statements. From 1977 to 1978, other income increased \$28.7 million, or 7%. Principal 1978 increases were from interest on a higher average level of marketable securities and bank deposits, which was partially offset by lower income from associated companies and a nonconsolidated uranium mining affiliate.

Interest and other financial charges were 15% more in 1979 than 1978 due to higher interest rates. The 1978 interest expense was up 12% from 1977, principally because of increased offshore borrowings and higher domestic interest rates.

Provision for income taxes was \$59.5 million higher in 1979 than 1978, although the effective tax rate was lower (39.9% for 1979 compared with 41.5% for 1978 and 40.9% for 1977) because of the lower U.S. federal tax rate.

Industry segment results: Financial data by industry segment for 1977 through 1979 are presented on pages 42 through 44. Detailed comments on 1979 results compared with 1978 are included on pages 6 through 21. Reference should be made to those comments, as well as to the summary of revenues and net earnings for the last five years, which also is presented on pages 6 through 21. A résumé of significant items comparing 1979 with 1978, and 1978 with 1977, is included below.

Consumer Products and Services' revenues in 1979 were ahead of 1978 in all major businesses, although the rate of increase slackened some toward the end of 1979. Earnings were also up, despite the continuing cost-price

squeeze resulting from extreme cost inflation experienced throughout the year. General Electric Credit Corporation had another year of much improved earnings. Consumer Products and Services' 1978 revenues and earnings, including GE Credit Corporation, were up 15% and 17%, respectively, from 1977, with all major businesses contributing to the improvements, although major appliance margin rates were slightly lower as a result of the cost-price squeeze.

Industrial Products and Components achieved strong earnings improvement in 1979 on good increases in revenues. All major businesses in the segment shared in the growth over 1978. Industrial Products and Components' revenues for 1978 were up 12% from 1977 and earnings were up 17%, with all major businesses contributing to the increases.

Power Systems also had good earnings gains in 1979 on virtually flat revenues. The increase in earnings, particularly in turbine-generator operations, was the result of important gains in productivity and more effective utilization of working capital. These improvements were partially offset by the fact that selling prices on contracts taken at firm prices several years ago were not adequate to cover current cost inflation. Nuclear operations continued to incur a loss, although less than in prior years. Power Systems businesses' earnings in 1978 were 23% higher than in 1977 on an 8% revenue increase. Large steam turbinegenerator and power delivery products were principal contributors. The nuclear business operated at a loss in 1978 as it had in the previous two years.

Technical Systems and Materials had strong 1979 earnings increases on substantially higher revenues. Engineered materials again had sharply higher earnings and sales. Aircraft engine also had a good increase in earnings from sharply higher sales. Technical Systems and Materials' revenues and earnings were up 14% and 12%, respectively, in 1978 from 1977. All major business elements contributed to the increases.

Natural Resources' 1979 earnings were ahead of those for 1978 on higher revenues. A sharp improvement in Canadian operations, principally as a result of higher world market prices for copper, gold, silver and molybdenum, was the major factor in the earnings gain. Natural Resources' revenues were 7% higher in 1978 than in 1977, but earnings were down 8%. Australian coking coal shipments were about the same as for 1977, but earnings were lower, principally because of a miners' strike of nearly seven weeks and higher Australian taxes. Lower uranium earnings and losses from Brazilian iron ore operations also contributed to the earnings decrease from

Foreign Multi-industry's earnings for 1979 were down somewhat on modestly higher revenues. Lower earnings were due in part to 1978's nonrecurring gain from sale of GE's interest in the German lamp manufacturer, Osram GmbH. Latin American operations experienced generally slower sales growth and had lower earnings. Canadian General Electric had strong sales and earnings improvements. Foreign Multi-industry's earnings for 1978, including the nonrecurring gain, were up 7% on 8% higher revenues.

Ten-year summary (a)

Dollar amounts in millions; per-share amounts in dollars)	1979	1978	1977	1976	1975
Summary of operations					0444054
Sales of products and services to customers	\$22,460.6	\$19,653.8	\$17,518.6	\$15,697.3	\$14,105.1
Cost of goods sold	15,990.7	13,915.1	12,287.7	11,048.3	10,209.8
Selling, general and administrative expense	3,715.9	3,204.4	3,010.8	2,634.9	2,238.2
Depreciation, depletion and amortization	624.1	576.4	522.1	486.2	470.5
Operating costs	20,330.7	17,695.9	15,820.6	14,169.4	12,918.5
Operating margin	2,129.9	1,957.9	1,698.0	1,527.9	1,186.6
Other income	519.4	419.0	390.3	274.3	174.2
Interest and other financial charges	(258.6)	(224.4)	(199.5)	(174.7)	(186.8)
Earnings before income taxes and minority interest	2,390.7	2,152.5	1,888.8	1,627.5	1,174.0
Provision for income taxes	(953.4)	(893.9)	(773.1)	(668.6)	(459.8)
Minority interest	(28.5)	(28.9)	(27.5)	(28.3)	(25.7)
Net earnings	\$ 1,408.8	\$ 1,229.7	\$ 1,088.2	\$ 930.6	\$ 688.5
Earnings per common share (b)	\$ 6.20	\$ 5.39	\$ 4.79	\$ 4.12	\$ 3.07
Dividends declared per common share (c)	\$ 2.75	\$ 2.50	\$ 2.10	\$ 1.70	\$ 1.60
Earnings as a percentage of sales	6.3%	6.3%	6.2%	5.9%	4.9%
Earned on average share owners' equity	20.2%	19.6%	19.4%	18.9%	15.7%
Larried on average on are owners equity				93	
Dividends-General Electric	\$ 623.6	\$ 569.8	\$ 476.9	\$ 332.5	\$ 293.1
Dividends-Utah International Inc. (d)	_	_	. I	\$ 28.3	\$ 33.1
Shares outstanding-average (in thousands) (e)	227,173	227,985	227,154	225,791	224,262
Share owner accounts-average	540,000	552,000	553,000	566,000	582,000
Market price range per share (c) (f)	551/8-45	575/8-435/8	571/4-473/8	591/4-46	527/8-323/8
Price/earnings ratio range (c)	9-7	11-8	12-10	14-11	17-10
		0.07550	A 7.005.0	A C COF O	¢ = 750 A
Current assets	\$ 9,384.5	\$ 8,755.0	\$ 7,865.2	\$ 6,685.0	\$ 5,750.4
Current liabilities	6,871.8	6,175.2	5,417.0	4,604.9	4,163.0
Working capital	\$ 2,512.7	\$ 2,579.8	\$ 2,448.2	\$ 2,080.1	\$ 1,587.4
Short-term borrowings	\$ 871.0	\$ 960.3	\$ 772.1	\$ 611.1	\$ 667.2
Long-term borrowings	946.8	993.8	1,284.3	1,322.3	1,239.5
Minority interest in equity of consolidated affiliates	151.7	150.8	131.4	119.0	104.6
Share owners' equity	7,362.3	6,586.7	5,942.9	5,252.9	4,617.0
Total capital invested	\$ 9,331.8	\$ 8,691.6	\$ 8,130.7	\$ 7,305.3	\$ 6,628.3
Earned on average total capital invested	17.6%	16.3%	15.8%	15.1%	12.5%
Share owners' equity per common share—year end (b)	\$ 32.31	\$ 28.88	\$ 26.05	\$ 23.18	\$ 20.49
Property, plant and equipment additions	\$ 1,262.3	\$ 1,055.1	\$ 822.5	\$ 740.4	\$ 588.2
Employees—average worldwide	405,000	401,000	384,000	380,000	380,000

⁽a) Unless specifically noted, all years are adjusted to include Utah International Inc., which became a wholly owned affiliate of General Electric on December 20, 1976, through the exchange of 41,002,034 shares of General Electric common stock for all of the outstanding shares of Utah.

⁽b) Computed using outstanding shares as described in note (e).

⁽c) For General Electric common stock as reported in the years shown.

⁽d) Reflects transactions prior to merger date.

⁽e) Includes General Electric outstanding average shares or year-end shares as appropriate plus, in 1976 and prior years, outstanding shares previously reported by Utah multiplied by 1.3. Adjustments have been made for a two-for-one GE stock split in 1971 and the twofor-one Utah stock split effected in the form of stock dividends in 1973.

⁽f) Represents high and low market prices as reported on New York Stock Exchange through January 23,1976, and as reported on the Consolidated Tape thereafter.

Supplemental information

1974	1973	1972	1971	1970
\$13,918.2	\$11,944.6	\$10,473.7	\$9,556.7	\$8,833.8
10,092.2	8,445.4	7,381.2	6,808.9	6,183.5
2,240.3	2,057.6	1,872.2	1,686.3	1,718.4
415.0	371.9	343.7	289.5	348.1
12,747.5	10,874.9	9,597.1	8,784.7	8,250.0
1,170.7	1,069.7	876.6	772.0	583.8
206.7	202.9	207.3	176.6	127.7
(196.5)	(142.8)	(120.8)	(102.1)	(105.5)
1,180.9	1,129.8	963.1	846.5	606.0
(457.4)	(456.5)	(385.5)	(332.8)	(237.2)
(18.2)	(11.9)	(5.0)	(4.2)	(5.8)
\$ 705.3	\$ 661.4	\$ 572.6	\$ 509.5	\$ 363.0
\$ 3.16	\$ 2.97	\$ 2.57	\$ 2.30	\$ 1.66
\$ 1.60	\$ 1.50	\$ 1.40	\$ 1.38	\$ 1.30
5.1%	5.5%	5.5%	5.3%	4.1%
17.8%	18.4%	17.5%	17.2%	13.4%
\$ 291.2	\$ 272.9	\$ 254.8	\$ 249.7	\$ 235.4
\$ 23.9	\$ 14.0	\$ 12.8	\$ 11.4	\$ 8.9
/ 222,921	222,631	222,503	221,591	218,938
566,000	543,000	542,000	529,000	535,000
65-30	757/8-55	73-58 ¹ / ₄	66½-46½	47 ¹ / ₄ -30 ¹ / ₈
19-9	24-17	25-20	26-18	26-17
\$ 5,334.4	\$ 4,597.4	\$ 4,056.8	\$3,700.0	\$3,383.1
4,032.4	3,588.2	2,920.8	2,893.8	2,689.4
\$ 1,302.0	\$ 1,009.2	\$ 1,136.0	\$ 806.2	\$ 693.7
\$ 655.9	\$ 675.6	\$ 453.3	\$ 581.7	\$ 670.2
1,402.9	1,166.2	1,191.2	1,016.2	691.3
86.4	62.4	53.4	50.4	45.0
4,172.2	3,774.3	3,420.2	3,105.4	2,819.1
\$ 6,317.4	\$ 5,678.5	\$ 5,118.1	\$4,753.7	\$4,225.6
13.4%	13.7%	12.7%	12.3%	10.2%
\$ 18.65	\$ 16.94	\$ 15.35	\$ 13.96	\$ 12.72
\$ 812.9	\$ 734.6	\$ 500.8	\$ 710.8	\$ 685.3
409,000	392,000	373,000	366,000	398,000

Dividends declared		
(Cents per share)	1979	1978
First quarter	65¢	55¢
Second quarter	70	65
Third quarter	70	65
Fourth quarter	70	65
O The trie common stock	l	

General Electric common stock market prices

(High and low by quarter)	197	79	1978		
First quarter	\$50%	\$451/2	\$495/8	\$435/8	
Second quarter	51%	467/8	541/8	457/8	
Third quarter	551/8	491/8	57 5/8	491/8	
Fourth quarter	521/4	45	537/8	453/4	

Form 10-K and other supplemental information

The information in the financial statements in this Report, in the opinion of management, substantially conforms with or exceeds the information required in the annual statements constituting part of the "10-K Report" submitted to the Securities and Exchange Commission. Certain supplemental information, considered nonsubstantive, is included in that report, however, and copies will be available without charge from: Investor Relations, General Electric Company, Fairfield, Connecticut 06431.

Copies of the General Electric Pension Plan, the Summary Annual Report for GE employee benefit plans subject to the Employee Retirement Income Security Act of 1974, and other GE employee benefit plan documents and information are available by writing to Investor Relations and specifying the information desired.

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Annual Report Issue

General Electric Company Fairfield, Connecticut 06431

GE Research and Development at new high: Seeking new earnings growth by accelerating innovation and increasing productivity, GE increased 1979 expenditures on research and development to a record \$1,440 million, up 13%, with the Company-funded portion amounting to \$640 million, 23% above 1978. The remaining \$800 million was performed under contract, primarily for U.S. government agencies.

During 1979, the Company announced plans for a \$50-million expansion of its corporate Research and Development Center, with over half of this amount going into building one of U.S. industry's most modern electronics and computer science laboratories. The Center is also constructing a \$7-million programmable process facility for making custom integrated circuits in Syracuse, N.Y.

General Electric's commitment to research and development was also signaled by continued strengthening of the more than 100 other laboratories associated with product operations. A large-scale integrated circuit facility began operation at Utica, N.Y., adding to the Company's capability for developing the advanced electronic microcircuits needed for the 1980s.

To accelerate technology transfer within the Company, GE established a Corporate Technology Council bringing together the Company's technical leaders, including a Sector Technologist from each Sector.

Significant R&D areas pictured below include work on solid-state television cameras for use in automated inspection systems (left) and on a new family of superior engineering plastics — Arnox[®] epoxy resins.

